
FOI Status: may be released

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This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: how do you determine the market value of mature trees acquired and used for non-forest operations, but later ventured into a new business, as contemplated by paragraph 45 of Taxation Ruling TR 95/6?

1. Paragraph 45 of Taxation Ruling TR 95/6 deals with the calculation of the net profit derived from the sale of standing trees ventured into a business of forest operations. It is the net profit amount that is returned as assessable income in such situations, and not the gross sale proceeds. In calculating the net profit the sale proceeds are reduced by an amount based on the market value of the trees when ventured into the business.
2. We accept that the market value of standing timber may be determined by applying the following steps:
 - (a) establish the tonnage of available standing timber at the time the timber is ventured into the business divided into usual industry categories of pulpwood, sawlog, etc.;
 - (b) establish the purchase price/value per tonne for each category at the time the timber is ventured into the business; and
 - (c) the market value is calculated by multiplying (a) by (b) for each category.
3. In regard to (a), the estimates should be established by a reputable forester who has practised in the industry for at least three years.
4. In regard to (b), this may be readily established from within the forestry industry or the local Forestry Department/Commission or Agency.
5. The market value obtained from (c) should be the same as the price an arm's length purchaser would be willing to pay for the right to fell the standing timber.

Commissioner of Taxation
7 February 1996

Related Determinations:

Related Rulings: TR 95/6

Subject Ref: assessable income; carrying on a business; forestry; standing timber; timber industry

Legislative Ref:

Case Ref:

ATO Ref: NAT 95/8803-5; HOB/TD23

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