


TD 2008/26EC - Compendium

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Ruling Compendium – TD 2008/26

This is a compendium of responses to the issues raised by external parties to draft TD 2007/D7 – Income tax: are bees kept for use in a honey production business trading stock as defined in section 70-10 of the *Income Tax Assessment Act 1997*?

This compendium of comments has been edited to maintain the anonymity of entities that commented on the draft ruling.

Summary of issues raised and responses

Issue No.	Issue raised	Response
1.	As a matter of practical reality it is not possible to count the number of bees on hand at any point in time.	<p>The Tax Office has developed Law Administration Practice Statement PS LA 2008/4 (General Administration), after consultation with the Australian Honey Bee Industry Council, that provides guiding principles on what the Commissioner considers is an acceptable practical methodology for valuing bees held as trading stock. PS LA 2008/4 (GA) which has effect from 1 July 2008, provides that the Commissioner will accept:</p> <ul style="list-style-type: none">• the use of a live hive of bees as the unit of measurement for valuing bees on hands at the end of an income year• if the cost method is used, the cost of a queen bee in a live hive represents the cost of a live hive on hand at the end of an income year, and• the use of \$9 (being the average industry cost of a queen bee as advised by the industry) as an estimate of the cost of a queen bee for a hive.
2.	Does the Tax Office currently require keepers of other animals such as butterflies to treat them as livestock?	The conclusions reached in the Taxation Determination apply equally to other types of animals used in a business of primary production.

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3.	Has any consideration been given to phasing it in to avoid the one-off increase in tax which most producers using averaging will experience?	<p>It is acknowledged that some taxpayers will not previously have brought bees to account as trading stock and there will be an initial extra liability to tax as a result of being required to start to account for bees held on hand as trading stock.</p> <p>Many beekeepers would be small business entities and would only need to conduct a stocktake and account for changes in the value of trading stock if there is a difference of more than \$5,000 between the value of stock on hand at the start of an income year and the reasonable estimate of the value of stock on hand at the end of that year. If a beekeeper relies on PS LA 2008/4 (GA), which has effect from 1 July 2008, and uses the \$9 average industry cost to value stock on hand at the end of the 2008-09 income year, the beekeeper would only have an initial extra liability to tax if the number of live hives on hand at the end of the year is more than 555.</p>
4.	If the number of bees is going to be based on 'x' amount per hive how do you determine the usable number of hives because not all hives are in use all the time, and this is often difficult to track?	PS LA 2008/4 (GA) which has effect from 1 July 2008, provides that the Commissioner will accept the use of a live hive of bees as the unit of measurement for valuing bees on hands at the end of an income year. In this context, a reference to a live hive means a productive hive to which a queen bee is attached.