


***TD 93/D58 - Income tax: how should a taxpayer's gross assessable income be determined where it sells goods on terms which allow a discount for prompt payment?***

 This cover sheet is provided for information only. It does not form part of *TD 93/D58 - Income tax: how should a taxpayer's gross assessable income be determined where it sells goods on terms which allow a discount for prompt payment?*

This document has been finalised by TD 96/20.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

---

## Draft Taxation Determination

---

### **Income tax: how should a taxpayer's gross assessable income be determined where it sells goods on terms which allow a discount for prompt payment?**

1. The treatment of trade discounts was considered by the High Court in *Ballarat Brewing Co Ltd v F.C. of T.* (1951) 82 CLR 364. In his decision *Fullagar J* distinguished between cases where prompt payment discounts were habitually allowed and cases where prompt payment discounts were habitually not allowed. For the former he accepted that discounts should be deducted from gross sales in calculating sales revenue for the relevant year. For the latter he indicated that discounts could not be taken into account in calculating sales revenue for the relevant year.

2. The *Ballarat Brewing* case provides no guidance where a taxpayer offers discounts, some of which are availed of, and some of which are not. However decisions in cases such as *J. Rowe & Son Pty Ltd v. FC of T* (1970) 2 ATR 121; 71 ATC 4001 and *FC of T v. Australian Gas Light Co* (1983) 15 ATR 105; 83 ATC 4800 suggest that generally accepted business and accounting practices will often provide an appropriate basis of returning income in the absence of direct judicial pronouncements on an issue. Using this approach there would be scope for a taxpayer to determine its sales revenue having regard to the practices of its trade debtors.

3. The taxpayer should analyse its year end trade debtors to determine which of them are likely to be granted prompt payment discounts. The analysis should be based primarily on the taxpayer's knowledge of its customers/clients, including their past payment practices. An appropriate adjustment to year end trade debtors to reflect this analysis would be acceptable in calculating assessable income.

**Commissioner of Taxation**

04/03/93

---

FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings:

Subject Ref: sale price; discounts;

Legislative Ref: ITAA 25(1)

Case Ref: *Ballarat Brewing Co Ltd v. FC of T* (1951) 82 CLR 364; *J. Rowe & Son Pty Ltd v. FC of T* (1970) 2 ATR 121, 71 ATC 4001, *FC of T v. Australian Gas Light Co* (1983) 15 ATR 105; 83 ATC 4800.

ATO Ref:

---

ISSN 1038 - 8982