


TD 94/D54 - Income tax: are rural producers entitled to a deduction under section 73B of the Income Tax Assessment Act (the Act) for levies imposed on their produce to fund research and development (R & D) administered by the R & D Corporations as developed by the Department of Primary Industries and Energy?

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Draft Taxation Determination

Income tax: are rural producers entitled to a deduction under section 73B of the *Income Tax Assessment Act* (the Act) for levies imposed on their produce to fund research and development (R & D) administered by the R & D Corporations as developed by the Department of Primary Industries and Energy?

1. No. The R & D Corporations, unlike research agencies which carry out R & D activities that are solely related to particular industries, are not constituted by members of an association doing work in common. The R & D activities undertaken or commissioned by the R & D Corporations are not carried out on behalf of the producers. These activities are carried out on behalf of the Corporations themselves which are then free to deal with the results in any way they choose.

2. Accordingly, levies paid by producers to an R & D Corporation do not constitute R & D expenditure for the purposes of section 73B of the Act. Producers are therefore not entitled to a deduction of 150% of the amount of levies paid. However, if the income on which the levies are imposed constitutes assessable income of a producer, the levies are tax deductible under subsection 51(1) of the Act.

Example:

Levies are imposed on pig producers when pigs are slaughtered. The Department of Primary Industries and Energy then disburses the R & D component of these levies to the Pig R & D Corporation.

Mr Griffin conducts a piggery business. During the 1993/94 year of income, levies of \$1400 were imposed. As the amount of \$1400 does not constitute R & D expenditure incurred by Mr Griffin, a deduction of 150% of the levies is not deductible under section 73B. However, as the levies do constitute expenditure incurred in carrying on his business, a deduction is allowable to Mr Griffin under subsection 51(1).

Commissioner of Taxation
19/5/94

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Related Determinations:

Related Rulings: IT 2442; IT 2451

Subject Ref: research and development; primary production; allowable deductions; research and development levies

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