


TD 95/D24 - 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?

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This document has been finalised by TD 96/8.



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 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 the market value may be determined by applying the following steps:
 - (a) establish the tonnage of available timber 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.

Commissioner of Taxation

22/11/95

FOI INDEX DETAIL: Reference No.

Related Determinations:

Related Rulings: TR 95/6

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

Legislative Ref:

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