



IT 147 - Wheat as trading stock

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 This ruling contains references to repealed provisions, some of which may have been rewritten. The ruling still has effect. Paragraph 32 in [TR 2006/10](#) provides further guidance on the status and binding effect of public rulings where the law has been repealed or repealed and rewritten. The legislative references at the end of the ruling indicate the repealed provisions and, where applicable, the rewritten provisions.

TAXATION RULING NO. IT 147

WHEAT AS TRADING STOCK

F.O.I. EMBARGO: May be released

REF

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PREAMBLE

The income tax position of a farmer who produces more wheat than he is entitled to deliver to the Australian Wheat Board during the coming harvest has been considered.

RULING

2. Growers have been allotted a quota which they may deliver to the Board for selling under the normal marketing arrangements. In law, the property in the wheat vests in the Board when it leaves the grower's property. Accordingly, this wheat is not trading stock (cf. *Farnsworth v FCT* (1949), 78 CLR 504) and does not have to be brought to account for income tax purposes even though the grower will eventually receive a series of progress payments from the Board.

3. The result is the same if the Board is prepared to accept delivery of over-quota wheat. If storage capacity is available later, growers may be advised to deliver some of their excess. If they do this, it will be deducted from the following year's quota and they will not receive payment. However, it will cease to be trading stock and so will not have to be brought to account for income tax purposes.

4. Any wheat retained on the property for use as feed or seed will also fall outside the definition of trading stock and may be ignored for income tax purposes.

5. Surplus wheat held for resale at the end of the year of income constitutes trading stock and is required to be brought to account for assessment purposes. If cost is the basis of valuation, cost could be quite low as only cash outlays need be taken into account. On the other hand, the trading stock could be brought to account at market selling value but it is difficult to envisage any reasonable hypothesis for assuming that this basis would give a lower figure than cost.

6. In this connection, it is doubtful whether the discretionary provisions of section 31(2) could be invoked. However, irrespective of whether section 31(1) or section 31(2) is applied in determining the value of such wheat on hand, it is the value at the end of the year of income - 30 June 1970 - that

has to be determined and such a value cannot be determined at this stage. All available wheat may be sold or accepted by the Board, in which case there will be no problem; alternatively, the value of wheat at 30 June 1970 may have a value which renders any value other than cost wholly unacceptable to the taxpayer.

7. It has been decided by the Commissioner that enquirers should be reassured that wheat does not have to be brought to account as trading stock if -

(a) it is delivered to the Wheat Board; or

(b) it is retained for the farmer's own use as feed or seed.

8. As to surplus wheat held for re-sale, enquirers should merely be advised that the law requires it to be brought to account as trading stock but it can be returned at cost (which could be quite low as only cash outlays need be taken into account), at market selling value or at the price at which it can be replaced. A market selling value less than cost will be accepted if the taxpayer can show that, as at the last day of the year of income, market selling value was less than cost.

COMMISSIONER OF TAXATION