


IT 2075 - Optional deferred payments to wheat growers

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TAXATION RULING NO. IT 2075

OPTIONAL DEFERRED PAYMENTS TO WHEAT GROWERS

F.O.I. EMBARGO: May be released

REF

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DERIVATION OF INCOME

25(1)

WHEAT POOL PAYMENTS

DEFERRAL OF INCOME

PRIMARY PRODUCERS

OPTIONAL DEFERRED

PAYMENTS

FACTS

The Wheat Marketing Act 1979 provides for the marketing and pricing arrangements to apply to the wheat industry for the five seasons commencing on 1 October 1979. Certain changes to the arrangements were made by the Wheat Marketing Amendment Act 1982 which came into effect on 31 December 1982. The new arrangements apply for the two seasons commencing 1 October 1982.

2. Section 21 of the Act provides for the payment of an initial advance termed the Guaranteed Minimum Price (GMP) to growers on delivery of wheat to the Australian Wheat Board. The Wheat Marketing Amendment Act 1982 introduced into the Principal Act a new sub-section 21(1A). The new sub-section enables the Australian Wheat Board (the Board) to enter into optional arrangements for the payment of the initial advance GMP to growers. Growers are still able to receive their initial advance GMP entitlement as a lump sum on delivery of wheat. They now have the option of receiving the initial advance GMP in two or more payments to be paid at such times and on such conditions, including the payment of interest, as are determined by agreement between the Board and the grower.

RULING

3. The optional payment arrangements offered by the Board to wheatgrowers do not affect the time at which the initial advance GMP entitlement constitutes assessable income. A wheat grower is required to include as assessable income in the year of delivery of wheat to the Board the initial advance GMP applicable to the delivery of the wheat.

4. It is the view of this office that initial advance GMP is earned at the time of delivery of the wheat. The wheat grower is entitled to payment on delivery of wheat to the Wheat Board. Deferred payment is an option of the wheat grower - it is not solely at the discretion of the Board. In these circumstances the fact that a grower may enter into an agreement with the Board to spread payment over an agreed period would not alter the time at which the income had been earned.

5. Payments which the Board might subsequently make to a wheat grower in excess of the initial advance GMP would represent assessable income in the year of receipt as would interest on any payment deferred under the option scheme.

COMMISSIONER OF TAXATION

7 March 1984