


IT 224 - Levies payable by wheatgrowers to Wheat Board

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TAXATION RULING NO. IT 224

LEVIES PAYABLE BY WHEATGROWERS TO WHEAT BOARD

F.O.I. EMBARGO: May be released

REF

N.O. REF: J315/1 P9 F86

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1102584	LEVY	51(1)
	WHEATGROWERS	52(1)
	EXCESS DISTRIBUTIONS	

PREAMBLE The rulings hereunder issued in relation to questions raised concerning:

- (i) the deductibility of finance levies paid to the Australian Wheat Board;
- (ii) the assessability of distributions of surplus finance levies; and
- (iii) the deductibility of research levies paid by wheat growers.

FACTS

2. The Wheat Levy Act of 1979 imposed a levy of \$2.50 per tonne on wheat delivered to the Australian Wheat Board. The Act empowers the Board to deduct the levy from amounts payable to the growers. The levies so deducted are paid into the Wheat Finance Fund established by The Wheat Marketing Act of 1979.

3. Under the legislative arrangements by which wheat is marketed in Australia a grower receives a guaranteed minimum price on the delivery of his wheat to the Board. To enable the growers to be paid this guaranteed minimum price the Board borrows money from the rural division of the Reserve Bank of Australia and other lending organisations. Money borrowed from the Reserve Bank of Australia must be repaid by 31 March each year. The sole purpose of the Wheat Finance Fund into which the levies are paid is to enable the Board to repay monies borrowed from the Reserve Bank. If, at any time, there is an excess of \$100,000,000 in the Wheat Finance Fund the surplus must be paid to the Board and the Board in turn distributes it to growers according to levies paid by growers in earlier seasons.

4. The research levy is payable under the Wheat Tax Act of 1979. The Act is similar in operation to the Wheat Levy Act. It imposed a tax upon the Board and empowers the Board to deduct from growers an amount equal to the tax payable on the wheat. The amount so deducted is paid into a fund which is used for research into matters associated with the wheat industry. No

amount is returnable from this fund to the growers.

RULING

5. Having regard to the nature of the wheat marketing arrangements the decision has been reached that the levy represents an allowable deduction to the growers. It is an expenditure necessarily incurred by them in carrying on their business. Correspondingly any amounts received by growers by way of distribution of moneys in the Wheat Finance Fund in excess of \$100,000.000 would represent assessable income in the year of receipt. The amounts are paid to growers because they delivered wheat to the Board and are thus integrally related to the activities which produce the assessable income. They appear no different in nature from the amounts which are held to be assessable in Squatting Investment Co Ltd v FC of T (1954) 88 CLR 413.

6. The research levy payable under the Wheat Tax Act of 1979 is clearly an allowable deduction.

COMMISSIONER OF TAXATION