


IT 239 - Wool sales - price averaging plan

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TAXATION RULING NO. IT 239

WOOL SALES - PRICE AVERAGING PLAN

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WOOL SALES
PRICE AVERAGING PLAN
YEAR OF INCOME
TRADING STOCK

25(1)

28(1)

PREAMBLE In the light of the introduction throughout Australia from July 1970 of the pool marketing system for wool, otherwise referred to as the Price Averaging Plan (PAP), the question has been raised as to the manner in which wool growers should account for income tax purposes in respect of wool supplied by them to the pool.

2. The scheme which will be administered by the Australian Wool Marketing Corporation Pty Ltd (AWMC), a non-statutory body, will not interfere with the current operation of voluntary pools by selling brokers where parcels of wool exceed the new minimum lot size of four bales. Wool which will not enter the price averaging plan will include -

- : growers' brand lots of four bales and over.
- : specialty types.
- : slipe, scoured, fellmongered and carbonized wool.
- : any wool that has been tendered as a delivery or part of a delivery on the Sydney Greasy Wool futures Exchange.
- : any wool salvaged or subject to insurance claim.

3. In respect of wool destined for the pool it is envisaged that, shortly after identification of each grower's lot and delivery of the wool into store, the owner will receive an advance payment approximating 60% of the estimated gross value of that wool (such advance payments being free of any direct interest charge).

4. Each wool selling season will be divided into two "price averaging periods" and the date of receipt of wool into store will determine the period which will relate to it. This will cover the sale series at which that wool normally would have

been offered. Whether or not the wool is sold at auction during its price averaging period, a final payment will be made after the end of that period. the total amount received by the owner will be based on average prices calculated by the Australian Wool Marketing Corporation Pty Ltd (AWMC) for each wool type sold in the particular State during the particular price averaging period (for this purpose Albury will be considered a Victorian selling centre).

5. Any wool remaining unsold at the end of the price averaging period will be purchased by AWMC at the average price for its type for re-offering in the next period.

RULING

6. In the light of these arrangements, it is clear that each woolgrower should be required to include payments in respect of his pooled wool in assessable income in the year in which they are received by him. No problems arise, therefore, where both advance and final payments are received by the taxpayer in the income year in which his wool is pooled.

7. On the authority of the Farnsworth Case (FITJ No.461 78 CLR 504) the taxpayer is not required to bring to account the value of his pooled wool as trading stock on hand. However, the question has been raised whether he should be permitted to bring the relevant value of his wool to account where it has been pooled at the close of the year of income but either (1) no payments or (2) only advance payments have been received in that year.

8. Acceptable of this proposition would be consistent with previous administrative practice as laid down in CITCM No.330 (addendum) and paragraph 2 of FITJ No.461. Accordingly, where taxpayers return on this basis it should be permitted.

NOTE : The Price Averaging Plan was effectively phased out by 30 June 1974.

COMMISSIONER OF TAXATION