IT 289 - Orchid growing: whether primary production

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Generated on: 28 July 2021, 08:35:33 AM

TAXATION RULING NO. IT 289

ORCHID GROWING: WHETHER PRIMARY PRODUCTION

F.O.I. EMBARGO: May be released

REF H.O. REF: 17 J315/1 P7 F176

B.O. REF: DATE ORIG. MEMO ISSUED: 25.06.64

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1103736	DEFINITION - PRIMARY PRODUCTION ORCHID GROWING	6(1)

PREAMBLE Consideration has been given to the question whether a taxpayer who grows orchids for commercial purposes is engaged in a business of primary production.

2. It appears that, although it is possible to grow orchids in prepared beds, the most satisfactory results are obtained from cultivation in pots. Potting mixtures vary considerably as between growers, but all mixtures contain tanbark, sawdust or wood shavings, with coarse sand and fertiliser.

3. An arrangement of this nature does not fall clearly within the terms of the definition of "primary production" in section 6 of the Assessment Act. However, in CITCM 759, it was pointed out that mushroom growing may be carried out under two different methods, one requiring direct sowing of the land, the other involving the use of a compost placed in boxes in which the spawn is sown, which are then placed in sheds for growth. It was decided that growers using either method should be treated as primary producers.

RULING 4. As the method used in the cultivation of orchids by means of pot culture is comparable to the processes used by mushroom growers, and as most nurserymen and other growers of plants for commercial purposes are accepted as being engaged in primary production, it has been decided in the interests of consistency to apply in the present case the interpretation of primary production adopted in CITCM 759. This decision is also consistent with the directions in CITCM 663, which states that the term "agricultural" has a wide meaning and extends to such a branch of primary production as horticulture.

5. It should therefore be accepted that the cultivation of orchids is an activity which constitutes "primary production" and is an "agricultural pursuit", irrespective of whether the orchids are grown in pots or by direct cultivation of the soil.

COMMISSIONER OF TAXATION