TD 92/156 - Income tax: do the trading stock provisions apply to newsprint held by a taxpayer carrying on a business of producing newspapers?

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This Determination, to the extent that it is capable of being a 'public ruling' in terms of PartáIVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part . Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, the Determination applies to transactions entered into both before and after its date of issue.
[**Note:** This is a consolidated version of this document. Refer to the Tax Office Legal Database (http://law.ato.gov.au) to check its currency and to view the details of all changes.]

Taxation Determination

Income tax: do the trading stock provisions apply to newsprint held by a taxpayer carrying on a business of producing newspapers?

1. Yes. Section 70-10 of the Income Tax Assessment Act 1997 (ITAA 1997)[1] defines trading stock as including anything produced, manufactured or acquired that is held for purposes of manufacture, sale or exchange in the ordinary course of a business.

2. We consider that newsprint is trading stock because it is produced, manufactured or acquired by a newspaper producer for purposes of manufacture of newspapers. This is so even if:

(a) all revenue is gained from advertising (in the case of free newspapers); or

(b) sales revenue from the distribution and sale of newspapers does not cover the cost of producing them.

3. Section 70-35 states that where a taxpayer carries on a business, opening and closing values of trading stock are taken into account in ascertaining the taxpayer's taxable income. Expenditure by a newspaper producer in purchasing newsprint is deductible under section 8-1 when the expenditure is incurred. However, section 70-35 applies to require the opening and closing values of newsprint to be taken into account in ascertaining the newspaper producer's taxable income. The overall effect of section 70-35 is to allow a deduction for the newsprint on a usage basis.

Commissioner of Taxation
17/09/92

FOI INDEX DETAIL: Reference No. I 1213270 Previously Draft TD 92/D103
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Subject Ref: deductions; newspaper producer; newsprint; trading stock
Legislative Ref: ITAA 1997 8-1; ITAA 1997 70-10; ITAA 1997 70-35
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[1] All subsequent legislative references are to the ITAA 1997 unless indicated otherwise.