


TD 92/198A1 - Addendum - Income tax: when can a taxpayer elect the replacement price method for the valuation of trading stock under subsection 31(1)?

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Addendum

Taxation Determination

Income tax: when can a taxpayer elect the replacement price method for the valuation of trading stock under subsection 31(1)?

This Addendum amends Taxation Determination TD 92/198 to reflect changes to the law resulting from the operation of the *Tax Law Improvement Act 1997* and the repeal of inoperative provisions by the *Tax Laws Amendment (Repeal of Inoperative Provisions) Act 2006*.

TD 92/198 is amended as follows:

1. Title

Omit the title; substitute:

Income tax: when can a taxpayer elect to use replacement value for valuation of trading stock under section 70-45 of the *Income Tax Assessment Act 1997*?

2. Paragraph 1

Omit all occurrences of 'price'; substitute 'value'.

3. Paragraph 2

Omit the paragraph; substitute:

2. There may be situations where the use of replacement value is not an option. In *Parfew Nominees Pty. Ltd. v. FCT* 1986 ATC 4673; (1986) 17 ATR 1017 the taxpayer, whose trading stock was strata title units, elected to use the replacement price method to value its trading stock in accordance with the former subsection 31(1) of the *Income Tax Assessment Act 1936* (the provision replaced by section 70-45 of the *Income Tax Assessment Act 1997*). In the circumstances of that case, the court refused to accept replacement price valuation based on a notional calculation of constructing the same building on the same site as the basis of calculation defied business reality.

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4. Examples 1(i) and 1(ii)

Omit all occurrences of 'The replacement price method'; substitute 'Replacement value'.

5. Example 2

- (a) Omit 'replacement price'; substitute 'replacement value'.
- (b) Omit 'cost price'; substitute 'cost'.

6. Legislative references

Omit reference; substitute 'ITAA 1936 31(1); ITAA 1997 70-45'.

7. Case references

Omit reference; substitute 'Parfew Nominees Pty. Ltd. v. FCT 1986 ATC 4673; (1986) 17 ATR 1017'.

This Addendum applies on and from 14 September 2006.

Commissioner of Taxation

2 February 2011

ATO references

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