



TD 93/23 - Income tax: are cartons, containers, labels and packing materials used by fruit and vegetable producers in the marketing and distribution of their produce, trading stock of the producers?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *11 February 1993*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVA 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, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: are cartons, containers, labels and packing materials used by fruit and vegetable producers in the marketing and distribution of their produce, trading stock of the producers?

1. Yes, if ownership of the cartons, containers, labels and packing materials passes to the purchaser. Containers etc that are returnable to the producer are not, however, trading stock of the producer.
2. Subsection 6(1) of the *Income Tax Assessment Act 1936* (the Act) defines trading stock to include '...**anything** produced, manufactured, acquired or **purchased for purposes of** manufacture, **sale** or exchange...' [emphasis added].
3. The definition in the Act is wider than the ordinary commercial meaning of the term. Trading stock is usually regarded in a commercial sense to be goods sold by a trader in the same or similar form that they were in when they were purchased. However, the words 'anything purchased for purposes of sale' in the definition includes all goods purchased for the purpose of being sold, whether as separate items, or as a part of the final product sold.
4. Even though the cartons, containers, labels and packing materials may not be sold as separate items, they are generally an integral part of the marketing and distribution of the produce by the fruit and vegetable producer, and therefore are goods **purchased for the purpose of sale** within the definition of trading stock in the Act. The comments of R R Gibson, Chairman of Taxation Board of Review No. 1, in *Case 115 1 TBRD* (NS) 485 at 490 to 492; *Case 120 1 CTBR* (NS) 568 at 571-573 support this view.

Commissioner of Taxation

11/2/93

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