

TD 93/47 - Income tax: banana growers - what expenses should be included in a valuation at cost of trading stock on hand at the end of the income year under section 70-45 of the Income Tax Assessment Act 1997 ?

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⚠ This document has changed over time. This is a consolidated version of the ruling which was published on *23 February 2011*

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).

[Note: This is a consolidated version of this document. Refer to the ATO Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]

Taxation Determination

Income tax: banana growers – what expenses should be included in a valuation at cost of trading stock on hand at the end of the income year under section 70-45 of the *Income Tax Assessment Act 1997*?

1. We will accept valuations which are based on the cost of harvesting and processing the fruit. If it is difficult to precisely match specific expenses to the stock, we will accept a reasonable estimate.
2. There are other expenses incurred prior to harvesting which should normally also be included in the valuation. These are recurring annual expenses, particularly those which relate to the fruit rather than to the tree or the soil. One example would be the cost of putting ripening bags on the bunches of bananas.
3. However, we recognise that:
 - a) the quantity of stock on hand at any one time is small relative to total production;
 - b) some expenses are very difficult in practice to allocate to the value of stock on hand;
 - c) the amounts in question may be small.
4. For the above reasons we will accept valuations based only on harvesting and processing costs.

Notes: i) Harvesting and processing expenses include, but are not limited to, material, labour and overheads associated with all work done from picking the crop to loading it for transport. Some examples are items such as wages paid to pickers, depreciation of plant used for picking bananas, fuel for machinery used in the harvesting process, cost of packing bananas into cartons, cost of sorting bananas by grade and cost of electricity used in packing shed.

ii) Taxation Ruling TR 98/7 gives the Commissioner's view of when cartons, containers and packing materials are to be treated as trading stock.

Example

Mr Cavendish is a banana grower. As at 30 June he had 200 cartons of bananas which had been picked and were not sold until July. His total production for the financial year was 5,000 cartons of bananas. His total picking and processing expenses for the year were \$24,000. He calculates the value of stock as : 200 divided by 5,000 multiplied by 24,000. The value of stock on hand is \$960. We will accept this method of valuation.

Commissioner of Taxation25/3/93

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