

# ***TR 2000/D13 - Income tax: assessability of amounts from the sale of wheat and grain***

 This cover sheet is provided for information only. It does not form part of *TR 2000/D13 - Income tax: assessability of amounts from the sale of wheat and grain*

This document has been finalised by TR 2001/1.



## **Draft Taxation Ruling**

### **Income tax: assessability of amounts from the sale of wheat and grain**

---

| Contents                         | Para      |
|----------------------------------|-----------|
| <b>What this Ruling is about</b> | <b>1</b>  |
| <b>Previous Rulings</b>          | <b>3</b>  |
| <b>Class of persons</b>          | <b>4</b>  |
| <b>Class of arrangement</b>      | <b>5</b>  |
| <b>Ruling</b>                    | <b>7</b>  |
| <b>Date of effect</b>            | <b>19</b> |
| <b>Definitions</b>               | <b>20</b> |
| <b>Background</b>                | <b>40</b> |
| <b>Explanations</b>              | <b>50</b> |
| <b>Examples</b>                  | <b>75</b> |
| <b>Detailed contents list</b>    | <b>91</b> |
| <b>Your comments</b>             | <b>92</b> |

#### ***Preamble***

*Draft Taxation Rulings (DTRs) represent the preliminary, though considered, views of the Australian Taxation Office. DTRs may not be relied on by taxation officers, taxpayers and practitioners. It is only final Taxation Rulings that represent authoritative statements by the Australian Taxation Office of its stance on the particular matters covered in the Ruling.*

#### **What this Ruling is about**

---

1. This Ruling explains when the amounts a wheat or grain grower ('grower') is entitled to receive from the sale of wheat or grain to AWB (International) Limited ('AWBI') or AWB (Australia) Limited ('AWBA') are assessable income for the purposes of section 6-5 of the *Income Tax Assessment Act 1997* ('ITAA 1997').
2. This ruling does not address the question of the deductibility of expenses.

#### **Previous Rulings**

---

3. Taxation Ruling TR 92/9 will be withdrawn when this Ruling issues in final form.

#### **Class of persons**

---

4. This Ruling applies to all growers who enter into a contract for the sale of wheat or grain to AWBI or AWBA.

#### **Class of arrangement**

---

5. The types of contracts to which this ruling applies are as follows:
  - a cash sale;

# TR 2000/D13

- a grain purchase contract;
- an AWBI Harvest Payment Agreement; and
- an AWBA Harvest Payment Agreement.

6. This ruling does not apply to other transactions or agreements a grower may enter into with other parties.

## Ruling

---

### **Sales of wheat or grain for cash**

7. For growers returning their income on an accruals basis, gross amounts from the sale of wheat or grain for cash are included in assessable income in the year in which the grower sells the wheat or grain.

8. For growers returning their income on a cash basis, gross amounts from the sale of wheat or grain are included in assessable income in the income year in which the grower receives the payment.

### **Sales of wheat or grain under contracts to sell at a previously agreed price**

9. For growers returning their income on an accruals basis gross amounts from the sale of wheat or grain at a previously agreed price are included in assessable income in the year in which the grower sells the wheat or grain.

10. For growers returning their income on a cash basis, gross amounts from the sale of wheat or grain are included in assessable income in the income year in which the grower receives the payment.

### **Pool distributions**

11. For growers returning their income on an accruals basis, the gross amounts of periodic and final distributions made under Harvest Payment Agreements are included in assessable income in the year the distributions are declared by AWBI or AWBA.

12. For growers returning their income on a cash basis, the gross amounts of periodic and final distributions are included in assessable income in the year in which the grower receives the payment.

### **Amounts received**

13. The grower is treated as having received amounts credited or applied when those amounts are credited or applied. This includes

any amounts in respect of loans to the grower by AWB Finance Limited or AWBA.

### **Trading stock**

14. The wheat or grain ceases to be trading stock of the grower at the time AWBI or AWBA accepts delivery.

### **Drawing amounts**

15. Drawing amounts paid to growers under the terms of an AWBI or AWBA Harvest Payment Agreement are loans and are not income.

16. Pool distributions may not entirely repay drawing amounts. For the payment of a commercial underwriting fee, AWBA or AWBF accepts this risk and undertakes not to recover the difference between the drawing amount and pool distributions.

17. In those cases where the drawing amount exceeds the amount of the pool distributions the difference is assessable income under section 6-5 of the ITAA 1997 in the year in which the final pool distribution is declared.

18. Whether or not Part IVA of the *Income Tax Assessment Act 1936* will apply to include a drawing amount in assessable income will depend on the facts of a particular case. In our view Part IVA would normally not apply. The commercial underwriting fee payable, the rate of interest charged, the amount of the drawing amount as a proportion of the estimated pool return and the likelihood that the drawing amount will be repaid in full over a relatively short period are factors which support the view that Part IVA should not be applied.

### **Date of effect**

---

19. This Ruling applies to years commencing on and after 1 July 1999. However, the Ruling 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 Ruling (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

### **Definitions**

---

20. The expressions used in this ruling have the following meaning:

# TR 2000/D13

21. **‘Actual Pool Return’** refers to the amount AWBI or AWBA determines to be its total revenue attributable to the sale of wheat or grain sold or disposed of from a pool less all associated overheads, losses, costs, expenses, liabilities, outgoings, taxes and provisions;
22. **‘Actual Pool Return per tonne’** refers to the actual pool return divided by the total number of tonnes of wheat in the pool; and
23. **‘Amounts owing’** refers to the amounts a grower owes AWBF or AWBA and includes the drawing amount and second drawing (if any) as well as accrued interest, fees and charges and other amounts actually or contingently owing.
24. **‘AWBA Harvest Payment Agreement’** refers to a contract of sale between the grower and AWBA in respect of:
  - wheat delivered into a pool for sale on the domestic market; and/or
  - other grains delivered into a pool for sale on both the export and domestic markets.
25. **‘AWBF’** refers to AWB Finance Limited.
26. **‘AWBI Harvest Payment Agreement’** refers to a contract of sale between the grower, AWBI and AWBF in respect of new season wheat delivered into a pool for sale on the export market.
27. **‘AWB Limited Registration Form’** refers to the registration and claim for payment form for the registration of growers and other sellers.
28. **‘Contract to sell’** refers to the contract that confirms and formalises an agreement between AWB Limited acting as agent for AWBI or AWBA and the seller of wheat or grain.
29. **‘Drawing Amounts’** refers to loans that AWBF or AWBA makes to a grower in respect of any delivery of wheat or grain.
30. **‘Encumbrance’** refers to any security for the payment of money or the performance of obligations including a mortgage, charge, lien, pledge, trust, or power and further includes obligations to repay any moneys owed to AWBA, AWBI or AWBF or a related entity.
31. **‘Estimated Pool Return’** refers to the estimate per tonne of the actual pool return in respect of a pool whether on a grade basis or otherwise, as published.
32. **‘Fixed Price’** refers to the price agreed by the grower and AWBI or AWBA under the contract to sell.
33. **‘Grower’** refers to a seller of wheat or grain whose details in an AWB registration form are registered with AWBI or AWBA including the seller’s lawful assigns and successors.

34. **‘Guaranteed Pool Return’** refers to up to 80% of the estimated pool return at the date determined by AWBF or AWBA for any pool announced by grade.
35. **‘Harvest Payment’** refers to the amount paid out as a drawing amount less an underwriting fee.
36. **‘Harvest Payment Agreement’** refers to an AWBI Harvest Payment Agreement and an AWBA Harvest Payment Agreement.
37. **‘Pool’** refers to a grouping of wheat according to time of delivery, location, quality, grade or variety of wheat or such other matters as determined by AWBI or AWBA.
38. **‘Pool Distributions’** refers to gross amounts of periodic and final distributions. This includes the amount paid to a grower for the sale of their wheat or grain plus any amount credited or applied:
- in full or partial satisfaction of any encumbrance over the wheat or grain delivered; or
  - against any expenses, fees, costs, charges, levies or other amounts that are deducted by AWBI or AWBA from the gross amounts of the periodic and final distributions.
39. **‘Posted Price’** refers to a price which is posted on a notice board at each receival point around the country throughout the harvest period.

## **Background**

---

### **Methods of selling wheat or grain to AWB Limited**

40. AWB Limited and its subsidiaries replaced the Australian Wheat Board on 1 July 1999. Arrangements for the sale of wheat or grain to AWBI or AWBA have been implemented from that date.
41. Growers have three options when selling their wheat or grain. They may:
- sell for cash at the posted price;
  - sell under a grain purchase contract for a fixed price; or
  - sell into a pool.

### **Selling wheat or grain into a pool**

42. A Harvest Payment Agreement is offered to growers when selling their wheat or grain into a pool. A grower enters into a

# TR 2000/D13

Harvest Payment Agreement for the sale of wheat or grain by delivering the wheat or grain into a pool and completing an AWB Limited Registration Form. Delivery occurs when the wheat or grain is physically delivered to AWBI, AWBA or its agents, or by warehouse or in-store transfer. Title in the wheat or grain passes to AWBI or AWBA when it accepts a delivery from a grower.

43. When completing and signing an AWB Limited Registration Form, the grower may elect to receive the Harvest Payment (the loan) in respect of the delivery the grower has made.

44. The amount AWBF or AWBA will lend in respect of a delivery of wheat or grain and the time it is paid to a grower is determined having regard to:

- whether the grower delivers the wheat or grain before or after the announcement of the guaranteed pool return for the season;
- the quantity and grade of wheat or grain he or she has delivered into the pool;
- the estimated pool return per tonne net of associated costs and charges; and
- the guaranteed pool return.

45. After electing to receive a Harvest Payment in respect of a delivery, the grower receives a drawing or drawings.

46. Whether or not growers avail themselves of a drawing amount, the Harvest Payment Agreements provide that the amount a grower receives from AWBI or AWBA as sale proceeds is based on future sales by AWBI or AWBA of wheat or grain from a pool and the costs associated with those sales. The total revenue attributable to the sale of wheat or grain sold through the pool is neither known nor ascertainable until the actual pool return is determined. The actual pool return depends on the price AWBI or AWBA can obtain when on-selling the wheat or grain from the pool.

47. Prior to the determination of the actual pool return, AWBI or AWBA declares and pays periodic distributions to the extent that it has sold wheat from the pool. The periodic distributions are made to growers at a time and for an amount determined by AWBI or AWBA, based on the estimated pool return for the wheat or grain delivered into the pool. The final distribution is paid at discretion of AWBI or AWBA when the pool is realised and the actual pool return per tonne is determined. AWBI or AWBA may declare a pool as realised if it is satisfied that the financial results of the operation of the pool would not be significantly affected by continuing the pool any longer.

48. As the grower becomes entitled to amounts from the pool through the declaration of periodic or final distributions by AWBI or

AWBA, AWBI or AWBA will apply those pool distributions to discharge any encumbrance including the amounts owing to AWBF or AWBA.

49. Pool distributions in excess of amounts owing will be paid to the grower by AWBI or AWBA.

## **Explanations**

---

### **Sales of wheat or grain for cash**

50. Growers can sell their wheat or grain for cash. By signing a grain receipt, a grower acknowledges both that the cash price is fixed and final and that he or she accepts the price. For growers returning on an accruals basis the gross proceeds should be included in assessable income in the year in which the wheat or grain is sold. For growers returning on a cash basis the gross proceeds should be included in assessable income in the year in which the amount has been received, credited or applied.

### **Sales of wheat or grain under contracts to sell at a previously agreed price**

51. Growers can sell their wheat or grain for a fixed price. For growers returning on an accruals basis the gross proceeds should be included in assessable income in the year in which the wheat or grain is sold. For growers returning on a cash basis the gross proceeds should be included in assessable income in the year in which the amount has been received, credited or applied.

### **Pool distributions**

52. Under the various Sale of Goods Acts which operate in each State or Territory of Australia, a contract for the sale of goods is made when the seller agrees to transfer the property in the goods to the buyer for the sale price. Where under a contract property in goods is transferred from the seller to the buyer the contract is a sale.

53. Under the terms of the Harvest Payment Agreements, once wheat or grain has been delivered to the pool and accepted by AWBI or AWBA, title and physical risk in the wheat or grain pass from the grower to AWBI or AWBA. AWBI and AWBA accept delivery of all wheat or grain that is delivered into a pool and which meets their receival standards.

54. Therefore, the AWBI Harvest Payment Agreement is a contract of sale. The grower has sold and AWBI or AWBA has

# TR 2000/D13

purchased the wheat or grain at the time AWBI or AWBA accepts delivery of the wheat or grain. Consequently, the wheat or grain ceases to be trading stock of the grower at that time (*Farnsworth v. FC of T* (1949) 78 CLR 504; 9 ATD 33).

55. For selling their wheat or grain, growers receive consideration in the form of a right to receive pool distributions as and when AWBI or AWBA sells the pooled wheat or grain. In order for there to be a debt which constitutes assessable income, the debt must be both presently recoverable by a grower as a debt and fully quantified.

56. In *Henderson v. FC of T* (1969-70) 119 CLR 612, at 636-637; 69 ATC 4049, at 4060-4061; (1969) 1 ATR 133, at 146-147, Windeyer J said:

‘... I think that services rendered for fees do not result in income derived ... until the fees are either paid or payable. This, of course, may be before an account for payment is rendered. For example, a physician may be entitled in law to be paid for attendances upon his patient before his treatment of him for his illness has been completed and he has sent him a bill. What he is thus entitled to be paid forms part of his income calculated in an earnings basis ... for work done ...

Money is not, I think, earned income until it is in law recoverable as a debt ...’

57. In *Barratt & Ors v. FC of T* 92 ATC 4275, at 4281-4282; (1992) 23 ATR 339, at 346, Gummow J said:

‘No doubt a debt that is presently recoverable by action generally will be an amount “derived” in the relevant sense by the creditor. The creditor will have a present right to receive the amount in question, something both earned and quantified, without the presence of any element of contingency or defeasibility. At the other end of the scale, where the right of the taxpayer is contingent, there will be no derivation before the contingency is satisfied: see Parsons, “Income Taxation in Australia”, §11.49. Nor will there be derivation if the debt is yet to be quantified: *Farnsworth v. FC of T* (1949) 9 ATD 33 at 37; (1949) 78 CLR 504 at 513 per Latham C.J.’

58. An obvious difference between the taxpayers in the *Barratt* and *Henderson* cases and a wheat grower is that the wheat grower derives his income from the sale of an asset constituting trading stock, whereas the *Barratt* and *Henderson* taxpayers derived their income from the delivery of services. The possibility that a situation involving income from the disposal of trading stock may require a different approach to income from the rendering of professional services is pointed to in *J. Rowe and Son Pty Ltd v. FC of T* (1971)

124 CLR 421; 71 ATC 4157; (1971) 2 ATR 497. At CLR 448; 71 ATC 4157, at 4158; ATR 499 Menzies J stated:

‘It is implicit in the foregoing provisions that the proceeds of any sale of stock in the ordinary course of business will be brought into account in the year in which it is sold. The problem then is to determine what are the proceeds of sales in the year in which the taxpayer sells items of trading stock to customers upon terms and takes a bill of sale to secure payment in the manner already stated.

In a system of annual accounting, ordinary business considerations would indicate that what becomes owing to a company for trading stock sold during a year should, in some way, be brought into account to balance the reduction of trading stock which the transaction effects. Any other method of accounting would lead to a misrepresentation of the trader’s financial position ...’

59. However, in our view, any distinction between proceeds from the sale of trading stock and professional fee income is immaterial in this regard. The crucial factor in both sets of circumstances is the proper characterisation of what, if anything, is actually payable to the relevant taxpayer. In a practical sense it is not relevant whether a right to receive payment arises from the sale of an asset or the delivery of services. Both forms of activity ultimately give rise to a debt, and what really matters is the character of that debt. In determining the character of a debt for income tax purposes regard must be had to such questions as whether or not a right to receive payment ‘is presently recoverable by action’ (*Barratt*) and whether the amount of the debt is quantified or quantifiable. At the time when wheat growers deliver wheat into a pool they have no recoverable debt because the amount is not quantifiable. On this basis it cannot be said that they have derived any assessable income.

60. Support for this view comes from the decision of the Full Federal Court in *FC of T v. Australian Gas Light Co. & Anor* (1983) 52 ALR 691; 83 ATC 4800 (1983); 15 ATR 105. At ALR 698; 83 ATC 4800 at 4805; ATR 111 the court stated:

‘The fees of accountants are derived when they have matured into recoverable debts: *Henderson v. FC of T* 70 ATC 4016; (1970) 119 CLR 621. Fees paid in advance for provision of dancing lessons are not derived until they are earned: *Arthur Murray NSW Pty Ltd v. FC of T* (1965) 114 CLR 314; 14 A.T.D. 98. The income of a trading business is derived when stock is sold and a debt is created: *J. Rowe and Son Pty Ltd v. FC of T* 71 ATC 4157; (1971) 124 CLR 421. Conversely, fees for the price of goods sold are not earned, and thus not derived, if a further step is required before a taxpayer is entitled to

**TR 2000/D13**

payment: *Rowe's case*. The passing of property in stock in trade does not necessarily signify the derivation of income if the consequence is merely the creation of a right to an account rather than entitlement to a debt: *Farnsworth v. FC of T* (1949) 78 CLR 504 (1949) 9 ATD 33 ...

Helpful as these tests may be as signposts, each of them has been conceived in and applied to varied and contrasting circumstances. As signposts they indicate that invariably something more than the provision of goods or services by the taxpayer is required ...'

61. Under the Harvest Payment Agreements, growers have a right to receive payment of their share of the pool proceeds but that right is not presently existing or recoverable because it is neither quantified nor quantifiable when growers sell wheat or grain. Growers agree to receive payment for their wheat or grain by way of pool distributions. Pool distributions are determined and declared after AWBI or AWBA sells the wheat or grain from the pools. AWBI and AWBA quantify the amount payable to growers by making determinations of pool distributions.

62. When AWBI or AWBA declares pool distributions, the net amount of each distribution to growers becomes AWBI's or AWBA's presently existing debt for payment of that part of the pool return. The determination of the distribution by AWBI or AWBA is the point at which this debt becomes presently existing, unconditional and not subject to any contingency.

63. For growers returning income on an accruals basis, periodic or final distributions are included in assessable income in the year in which AWBI or AWBA declares the distribution.

64. Subsection 6-5(4) of the ITAA 1997 treats an amount as assessable income of a taxpayer if the amount has been credited or applied on the taxpayer's behalf or as he or she directs.

65. For growers returning income on a cash basis, the gross amounts of pool distributions paid to or credited or applied on behalf of the grower are included in the assessable income of the grower in the year in which the distribution is paid or credited or applied. Amounts credited or applied by AWBI or AWBA in full or partial satisfaction of any amounts owing to AWBF or AWBA or any other encumbrance are treated as having been received by the grower.

66. As indicated at paragraph 45 above, growers may elect to receive a drawing or drawings. Growers who receive a drawing or drawings are guaranteed a minimum return for wheat or grain sold to AWBI or AWBA. This is equal to approximately 80% of their expected overall return. The existence of this minimum guarantee raises the question of whether a grower's return could be regarded as

comprising two separate components, one being variable and the other being fixed (and therefore quantified). This raises the additional question of whether the guaranteed component should be regarded as derived upon its quantification.

67. In our view this aspect does not disturb the conclusions we have reached. Regardless of the guaranteed amount, a grower's entitlement to payment only arises as and when AWBI or AWBA declares a distribution.

68. Our conclusions follow from and depend on the propositions that 'where the right of the taxpayer is contingent, there will be no derivation before the contingency is satisfied' (*Barratt*; paragraph 57 above), and 'Money is not, I think, earned income until it is in law recoverable as a debt' (*Henderson*; paragraph 56 above). The right of a grower to payment is contingent upon the wheat or grain being sold by AWBI or AWBA and a distribution being declared. Similarly no amount is recoverable by a grower until and unless wheat or grain is sold and a distribution is declared. For these reasons we do not consider that the existence of the guaranteed return changes the position we have reached in regard to derivation.

### **Drawing amounts**

69. Drawing amounts paid to growers are loans under the terms of an AWBI or AWBA Harvest Payment Agreement and are not income.

70. As stated at paragraph 45, under the terms of the AWBI and AWBA Harvest Payment Agreements, a grower who elects to take a harvest payment in respect of a delivery receives a drawing or drawings.

71. Pool distributions are offset against these drawing amounts. There is a risk that the pool distributions will not entirely repay the drawing amounts. For the payment of a commercial underwriting fee AWBA or AWBF accepts that risk and undertakes not to recover the difference between the drawing amount and the pool distributions.

72. In the circumstances of the arrangements we accept that drawing amounts are loans because of the following factors:

- a commercial rate of interest is charged;
- the term of the loan;
- the grower is charged a commercial underwriting fee to limit the lender's recourse;
- although recourse to the loan is limited to the pool proceeds, the drawing amount is less than the anticipated final pool return.

# TR 2000/D13

Accordingly, it is reasonable to expect that the loan to the grower will be repaid in full.

73. Subject to a grower's individual circumstances, we do not consider that Part IVA of the *Income Tax Assessment Act 1936* applies to include a drawing amount in assessable income. The factors noted at paragraph 72 are relevant to this conclusion. We also accept that the time lag between the sowing of a crop and an entitlement to pool distributions may cause a grower to borrow in order to provide working capital to finance his or her operations in the following year and/or repay existing loans. The drawing amount is designed to meet this need.

74. In any event, should the pool distribution be less than the amount of the loan the difference between the loan amount (drawing amount) and the pool distribution is assessable income under section 6-5 of the ITAA 1997 in the year in which the final pool distribution is declared.

## Examples

---

### Sales of wheat or grain for cash

75. Ken, who returns his income on an accruals basis, sells his wheat for cash. He delivers his wheat to a receiving station and signs the grain receipt. He will receive his payment at a later date.

76. Ken derives income from the sale of his wheat on the date he signed the grain receipt and should include the gross amount received, credited or applied in his assessable income in the year in which his wheat was delivered.

### Pool distributions

#### (i) *Where Harvest Payment received*

77. John, who returns his income on an accruals basis, elects to receive the Harvest Payment when selling his wheat to AWBI.

78. John receives the following amounts in accordance with the AWBI Harvest Payment Agreement:

- a drawing amount within 21 days of the delivery date;
- a second drawing declared by AWBI on 15 April 2000; and
- periodic distributions as declared in April 2000, July 2000 and January 2001 and a final distribution as declared in November 2001.

79. The drawing amounts are loans and are not income.

80. Each distribution declared by AWBI and either payable to John or applied against his amounts owing is included in assessable income in the year in which AWBI declares the distributions.

**(ii) *Where no Harvest Payment received***

81. Wally, who returns his income on an accruals basis, elects not to receive the Harvest Payment when selling his wheat to AWBI.

82. Wally receives periodic distributions as declared in April 2000, July 2000 and January 2001 and a final distribution as declared in November 2001.

83. Wally's income tax position is the same as John's in the previous example. Each distribution declared by AWBI and either payable to Wally or applied or credited on his behalf is included in assessable income in the year in which AWBI declares the distributions. The fact that Wally elects not to receive the Harvest Payment when completing the AWB Limited Registration Form has no effect on the time when he derives his income.

**(iii) *Where Harvest Payment received – cash basis of returning income***

84. Bill, who returns his income on a cash basis, elects to receive the Harvest Payment when selling his wheat to AWBI.

85. In accordance with the AWBI Harvest Payment Agreement, Bill receives or has the following amounts credited or applied:

- a first drawing within 21 days of delivery and prior to the announcement of the guaranteed pool return for the season;
- a subsequent drawing within 30 days after the announcement of the guaranteed pool return; and
- periodic distributions as declared in April 2000, July 2000 and October 2000 and a final distribution as declared in November 2001.

86. The drawing amounts are loans and are not income.

87. Each periodic distribution or part thereof declared by AWBI and applied against Bill's amounts owing to AWBF is included in assessable income in the year in which AWBI applies the amount. Each periodic distribution or part thereof declared by AWBI and paid to Bill will be included in his assessable income at the time he receives the payment.

**TR 2000/D13***(iv) Where drawing amount exceeds pool distributions*

88. Alice receives a Harvest Payment of \$40,000 on 15 December 2000 from AWBI. The following pool distribution amounts are applied against the amount owing to AWBF:

- \$20,000 on 7 April 2001;
- \$10,000 on 10 July 2001;
- \$5,000 on 12 October 2001.

89. AWBI declares the pool realised on 12 October 2001 and advises Alice that there will be no further pool distributions.

90. In addition to the pool distributions applied against her amount owing to AWBF, Alice derives assessable income of \$5,000 (\$40,000 less pool distributions of \$35,000) in the year ended 30 June 2002. Alice derives this assessable income regardless of whether or not she returns her income on a cash or on an accruals basis.

**Detailed contents list**

91. Below is a detailed contents list for this draft Ruling:

|                                                                              | Paragraph |
|------------------------------------------------------------------------------|-----------|
| <b>What this Ruling is about</b>                                             | <b>1</b>  |
| <b>Previous Rulings</b>                                                      | <b>3</b>  |
| <b>Class of persons</b>                                                      | <b>4</b>  |
| <b>Class of arrangement</b>                                                  | <b>5</b>  |
| <b>Ruling</b>                                                                | <b>7</b>  |
| Sale of wheat or grain for cash                                              | 7         |
| Sales of wheat or grain under contracts to sell at a previously agreed price | 9         |
| Pool distributions                                                           | 11        |
| Amounts received                                                             | 13        |
| Trading stock                                                                | 14        |
| Drawing amounts                                                              | 15        |
| <b>Date of effect</b>                                                        | <b>19</b> |
| <b>Definitions</b>                                                           | <b>20</b> |
| <b>Background</b>                                                            | <b>40</b> |
| Methods of selling wheat or grain to AWB Limited                             | 40        |

|                                                                              |           |
|------------------------------------------------------------------------------|-----------|
| Selling wheat or grain into a pool                                           | 42        |
| <b>Explanations</b>                                                          | <b>50</b> |
| Sales of wheat or grain for cash                                             | 50        |
| Sales of wheat or grain under contracts to sell at a previously agreed price | 51        |
| Pool distributions                                                           | 52        |
| Drawing amounts                                                              | 69        |
| <b>Examples</b>                                                              | <b>75</b> |
| Sales of wheat or grain for cash                                             | 75        |
| Pool distributions                                                           | 77        |
| <i>(i) Where Harvest Payment received</i>                                    | 77        |
| <i>(ii) Where no Harvest Payment received</i>                                | 81        |
| <i>(iii) Where Harvest Payment received - cash basis of returning income</i> | 84        |
| <i>(iv) Where drawing amount exceeds pool distributions</i>                  | 88        |
| <b>Detailed contents list</b>                                                | <b>91</b> |
| <b>Your comments</b>                                                         | <b>92</b> |

## Your comments

---

92. If you wish to comment on this draft Ruling, please send your comments promptly by **3 November 2000** to

**Contact Officer:** Kevin O'Shaughnessy  
**E-Mail address:** kevin.o'shaughnessy@ato.gov.au  
**Telephone:** (03) 9275 6082  
**Facsimile:** (03) 9275 2607  
**Address:** Australian Taxation Office  
 3<sup>rd</sup> Floor, 990 Whitehorse Road  
 BOX HILL VIC 3128

---

### Commissioner of Taxation

20 September 2000

---

*Previous draft*

Not previously released in draft form

*Related Rulings*

TR 92/20;

*Subject references*

- borrowings & loans
- crops as trading stock
- derivation of income

# TR 2000/D13

- primary production income
- sale of goods
- wheat growing

*Legislative references*

- ITAA 1997 6-5
- ITAA 1997 6-5(4)
- ITAA 1936 Pt IVA
- *Sale of Goods Act 1923 (NSW)*
- *Goods Act 1958 (Vic)*
- *Sale of Goods Act 1895 (SA)*
- *Sale of Goods Act 1895 (WA)*
- *Sale of Goods Act 1896 (Qld)*
- *Sale of Goods Act 1896 (Tas)*
- *Sale of Goods Act 1954 (ACT)*
- *Sale of Goods Act 1972 (NT)*
- *Wheat Export Act 1989* Section 84

*Case references*

- *Arthur Murray NSW Pty Ltd v. FC of T* (1965) 114 CLR 314; 14 ATD 98
- *Barratt & Ors v. FC of T* 92 ATC 4275; (1992) 23 ATR 339
- *Farnsworth v FC of T* (1949) 78 CLR 504; 9 ATD 33
- *FC of T v. Australian Gas Light Co.* 83 ATC 4800 (1983) 15 ATR 105
- *Henderson v. FC of T* (1969-70) 119 CLR 612; 69 ATC 4049; (1969) 1 ATR 133
- *J. Rowe & Son Pty Ltd v. FC of T* (1971) 124 CLR 421; 71 ATC 4157; (1971) 2 ATR 497

---

ATO references:

NO T2000/14871

BO

ISSN: 1039-0731