


TD 92/D203 - Income tax: banana growers - what expenses should be included in a cost price valuation of trading stock on hand at the end of the financial year under subsection 31(1) of the Income Tax Assessment Act 1936?

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This document has been finalised by TD 93/47.

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Draft Taxation Determination

Income tax: banana growers - what expenses should be included in a cost price valuation of trading stock on hand at the end of the financial year under subsection 31(1) of the Income Tax Assessment Act 1936?

1. All harvesting and processing expenses incurred by a grower in relation to bananas which form part of a grower's trading stock must be included in the calculation of its cost price value. If it is difficult to precisely match specific expenses to the stock, we will accept a reasonable estimate
2. Some expenses which are incurred prior to harvesting should also be included. These are recurring annual expenses, particularly those which relate to some thing to do with the fruit rather than to the tree or the soil. One example is 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. Because of the above factors, we will generally accept valuations which include only the harvesting and processing expenses.

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, coat of packing bananas into cartons, cost of sorting bananas by grade and cost of electricity used in the packing shed.

ii) Taxation Determination TD (92/D166) refers to cartons , containers and packing materials and states that they are trading stock for primary producers

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 calculate sthe value of stock as: 200 divided by 5,000 multiplied by 24000. The value of stock on hand is \$960. We will accept this method of valuation

Commissioner of Taxation

12/11/92

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