


***TD 96/D13 - Income tax: where a wholesaler's account for trading stock provides a retailer with a prompt payment discount which can be accumulated in an account, applied to the acquisition of new shares or transferred to an affiliated person or persons or company, can the retailer claim a deduction for the full purchase price and is the discount assessable?***

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This document has been finalised by TD 96/45.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

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## Draft Taxation Determination

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**Income tax: where a wholesaler's account for trading stock provides a retailer with a prompt payment discount which can be accumulated in an account, applied to the acquisition of new shares or transferred to an affiliated person or persons or company, can the retailer claim a deduction for the full purchase price and is the discount assessable?**

1. Yes.
2. The retailer is entitled to an allowable deduction under sub-section 51(1) of the *Income Tax Assessment Act 1936* (the Act) for the gross amount at the time of the contract for the purchase of the goods (see paragraph 11 of Taxation Ruling TR 96/20).
3. Where a discount is received for prompt payment, the amount of the discount is assessable income pursuant to subsection 25(1) of the Act at the time the liability is satisfied (see paragraph 19 of Taxation Ruling TR 96/20).
4. Where the discount is transferred to the account of an affiliated person, the discount will have been received by the retailer and dealt with according to the retailer's instructions. The discount is still assessable income of the retailer in accordance with section 19 of the Act.
5. A similar result occurs where a retailer is given the opportunity of accumulating trading discounts (incentives/rebates), wholly or in part, which may be applied towards the acquisition of new shares in the wholesaler company. In this situation, the discount is also derived by the retailer upon (sufficiently prompt) payment of the invoice being made.
6. Typically, however, there is no obligation to apply the account to the acquisition of shares, nor to leave any balance in the account indefinitely. The retailer can withdraw from the fund or make withdrawals from their incentive/rebate account at any time. Any such subsequent dealing with the moneys in the incentive account does not have taxation implications for the retailer.

**Commissioner of Taxation**

28 August 1996

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Related Determinations:

Related Rulings: TR 96/20

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