


IT 2113 - Income tax : business of primary production - horse breeding

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TAXATION RULING NO. IT 2113

INCOME TAX : BUSINESS OF PRIMARY PRODUCTION - HORSE BREEDING

F.O.I. EMBARGO: May be released

REF H.O. REF: J 315/1 Pt. 10 DATE OF EFFECT: Immediate
B.O. REF: AP/315 138 802 DATE ORIG.
MEMO ISSUED: 10 October 1984

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1122406	BUSINESS OF PRIMARY PRODUCTION - HORSE BREEDING	51(1)

PREAMBLE It has been decided that no appeal will be lodged against a decision of Taxation Board of Review No. 2 dated 21 August 1984 that a taxpayer was carrying on a business of horse breeding in partnership with his wife. The decision was reported as Case R83 84 ATC 557 and 27 CTBR (NS) Case 137.

FACTS 2. From the 1975 income year up to and including the income years in dispute - 1979 and 1981 - the taxpayer engaged in horse breeding activities. His original intention had been to breed pure bred Arabian horses. However, due to lack of capital the scale of operations was small (he had built his breeding stock up to 11 by the end of the 1981 year) and he had bought and bred horses of various breeds including pure and part-bred Arabian horses.

3. The freehold property was owned by the taxpayer and his wife as joint tenants. Their financial affairs were conducted through a joint bank account and the stud stock was registered in their joint names. The taxpayer's wife also helped the taxpayer with the horse-breeding activities.

4. In the reasons for the decision the Board said that the taxpayer's lack of capital disadvantaged him in two specific ways. Firstly, it precluded him from operating on anything but a very small scale. Secondly, it prevented him from implementing his original intention to breed only Arab horses and caused him to sporadically change direction in his breeding programme. However, the Board held that those aspects were not fatal to the claim and a business of primary production was being carried on.

5. The Board further held that the business was conducted by the taxpayer and his wife jointly.

RULING 6. The decision reached by the Board was open to it on the evidence adduced at the hearing. The decision applies existing law to the facts established before the Board and no change in

assessing policy is necessary.

COMMISSIONER OF TAXATION
25 October 1984

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