


IT 321 - Proceeds of sale of wool by auction

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TAXATION RULING NO. IT 321

PROCEEDS OF SALE OF WOOL BY AUCTION

F.O.I. EMBARGO: May be released

REF

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WOOL SALES - PROCEEDS

25(1)

SALE OF WOOL BY

AUCTION

YEAR ASSESSABLE

PREAMBLE

Following a decision of Board of Review No. 1 (11 TBRD Case L12; 9 CTBR (NS) Case 45), it has been necessary to review the procedure to be adopted in assessing late June wool sales.

2. The Board expressed the view, although it did not affect its actual decision, that, on a sale of wool by auction, there comes into existence on the fall of the hammer a contract which is a valid contract, even though it be voidable on the ground of fraud or misrepresentation, and it remains a valid contract unless and until it is so voided. On this view, the date upon which these contracts come into existence has been regarded by the Board as the date upon which the trade debts accrued and became income derived for the purposes of the Income Tax Assessment Act.

RULING

3. That case has not been viewed as demanding a departure from the long-standing administrative practice of regarding the proceeds of wool sold by auction as being derived by the vendor in the year of income in which payment is received by the broker, as agent for the vendor, if that is the way in which the vendor himself treats the proceeds in his taxation returns. If, on the other hand, the vendor, for taxation return purposes, treats the proceeds as derived in the year of income in which the hammer falls, it is necessary for the proceeds to be so taxed because, otherwise, it might be open for him to argue, on the basis of the Board's observations, that the proceeds could not be taxed in the year of actual receipt of the proceeds.

COMMISSIONER OF TAXATION