


# ***IT 81 - Trading stock: hire and rental business***

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TAXATION RULING NO. IT 81

TRADING STOCK : HIRE AND RENTAL BUSINESS

F.O.I. EMBARGO: May be released

REF

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SUBJECT REFS:

LEGISLAT. REFS:

I 1070684

TRADING STOCK

28

HIRE/RENTAL BUSINESS

31

STOCK HELD FOR HIRE/RENTAL

82D

TRADING STOCK VALUATION

ADJUSTMENT

PREAMBLE

Consideration was given to the question of whether stocks held for rental by garment and linen hire service firms were trading stock for the purposes of the Income Tax Assessment Act.

RULING

2. It was decided that goods acquired for the purpose of hire or rental do not constitute trading stock. Consequently, a deduction by way of the trading stock valuation adjustment based on the value of those goods on hand at the commencement of the year of income will not be allowable.

3. A further matter considered was whether a percentage of the rental stocks on hand at the end of a year of income could be accepted as trading stock on the basis that on many occasions some of the goods purchased are sold outright to customers or are, subsequent to purchase, allocated to retail sales stock. It has been decided that as the trading stock provisions of the Assessment Act require that the value of "each article" of trading stock be taken into account for assessment purposes, such an arbitrary approach was unacceptable.

4. It should be noted that stocks of goods purchased for hire/rental are not to be regarded as trading stock for any of the purposes of the Assessment Act, i.e. for the purposes of sections 28-31 as well as those dealing with TSVA.

5. This decision is not restricted to garment and linen hirers but applies to hirers of all descriptions.

COMMISSIONER OF TAXATION