


# ***PS LA 2006/3 (GA) - Trading stock: oyster farmers using the stick farming method***

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 Refer to end of document for amendment history. Prior versions can be requested by emailing [TCNLawPublishingandPolicy@ato.gov.au](mailto:TCNLawPublishingandPolicy@ato.gov.au) if required.

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This Law Administration Practice Statement explains how to value oysters as trading stock using the stick method.

*This practice statement is an internal ATO document, and is an instruction to ATO staff.*

*Taxpayers can rely on this practice statement to provide them with protection from interest and penalties in the following way. If a statement turns out to be incorrect and taxpayers underpay their tax as a result, they will not have to pay a penalty. Nor will they have to pay interest on the underpayment provided they reasonably relied on this practice statement in good faith. However, even if they don't have to pay a penalty or interest, taxpayers will have to pay the correct amount of tax provided the time limits under the law allow it.*

### 1. What is this practice statement about?

This practice statement explains that you can accept that certain oyster farmers who use the 'per stick' method<sup>1</sup> are complying with the law.

Under this method, farmers must calculate their stock on hand by reference to the number of sticks on which they caught that stock as spat.

### 2. Who does this practice statement apply to?

This practice statement applies to oyster farmers who:

- conduct a business of oyster farming
- farm oysters solely for use as food for human consumption
- acquire those oysters as spat (oyster larvae) by using the traditional stick farming method.

This statement does not apply to oyster hatcheries.

### 3. What is stick farming?

The stick farming method involves the placement of sticks or plastic slats into estuaries to which naturally occurring oyster larvae attach and which either:

- grow to maturity on the stick, or
- are knocked off the stick and allowed to grow to maturity in trays or other containers.

### 4. What is the 'per stick' method?

Farmers must account for all oysters on hand as trading stock, including those on sticks or slats, those in containers and those ready for sale.

Only those oysters that are attached to sticks or slats can be valued using the 'per stick' method. It does not apply to those in containers or those harvested and ready for sale.

<sup>1</sup> The 'per stick' method is adopted from former section 70-41 of the *Income Tax (Transitional Provisions) Act 1997*.

#### Method Statement

Farmers valuing their closing stock on a per stick basis must calculate the number of sticks on which they caught that stock as spat, as set out below:

##### Step 1: Count

- The number of sticks that are in use at the end of the income year to capture spat.  
The number of sticks that are no longer in use, but that were used to capture oysters that are still on hand at the end of the income year.  
If any sticks were used more than once to capture stock on hand, count each re-use as another stick for the purposes of this count.
- The number of one-metre-long plastic slats that are in use at the end of the income year to capture spat.  
The number of one-metre long plastic slats that are no longer in use but were used to capture oysters that are still on hand at the end of the income year.  
If any one-metre-long plastic slats were used more than once to capture stock on hand, count each re-use as another slat for the purposes of this count.
- The number of two-metre-long plastic slats that are in use at the end of the income year to capture spat.  
The number of two-metre-long plastic slats that are no longer in use but were used to capture oysters that are still on hand at the end of the income year.  
If any two-metre-long plastic slats were used more

than once to capture stock on hand, count each re-use as another slat for the purposes of this count.

### Step 2

Multiply the number of sticks and two-metre-long plastic slats counted by the above method by \$1.00<sup>2</sup> to capture the trading stock on hand at the end of the income year.

### Step 3

Multiply the number of one-metre-long plastic slats counted by the above method by \$0.50 to capture the trading stock on hand at the end of the income year.

### Step 4

Add the amounts calculated by Step 2 and Step 3.

This will provide the value of oysters to be included as trading stock on hand at financial-year-end.

If you are a small business entity and the difference between the opening and closing stock values for the year is not more than \$5,000, there is no need to bring any change in value in trading stock to account.

### Example: calculating the value of closing stock

At 30 June Peter has:

- wooden sticks and one-metre long plastic slats in the water to capture oyster spat
- oysters in trays in the water at various stages of maturity, including some purchased from another farmer that year for \$1,200 to replace stock lost to disease, and
- oysters that he recently harvested and holds ready for sale.

Before applying the 'per stick' method, Peter must exclude the harvested oysters and the purchased oysters, along with any other stock not acquired with the stick-farming method. Peter must account separately for these oysters at cost, market selling value or replacement value. Peter elects to account for the stock that he purchased at its cost of \$1,200, and to account for the harvested oysters at their market value of \$500.

Peter then applies the 'per stick' method to value the remaining stock on hand.

### Step 1

- On 30 June Peter has 2,000 sticks in the water to capture oyster spat. He has used those same 2,000 sticks on two previous occasions to capture oysters still held in trays. Therefore, Peter counts a total of 6,000 sticks.
- Peter is using 4,000 one-metre-long plastic slats in the water to capture oyster spat. He has previously used 3,000 one-metre-long plastic slats to capture oysters now growing in trays. This gives Peter a total of 7,000 one-metre-long plastic slats.
- Peter has not used any two-metre-long plastic slats.

### Step 2

Peter multiplies the number of sticks and two-metre-long plastic slats that he counted at Step 1 by \$1.00, to give a value of \$6,000.

### Step 3

Peter multiplies the number of one-metre long plastic slats that he counted at Step 1 by \$0.50, to give a value of \$3,500.

### Step 4

Peter adds together the amounts calculated at Step 2 and Step 3, to get a value of \$9,500.

To calculate the total value of his trading stock on hand on 30 June, he must add the \$9,500 to the value of his other trading stock (being \$1,200 plus \$500).

The total value of Peter's trading stock on hand at the end of the income year is \$11,200.

<sup>2</sup> The 'per stick' values will be reviewed and adjusted periodically, in consultation with the oyster industry.

**Date issued** 26 April 2006  
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**Authorised by** Michael D'Ascenzo  
**BSL** IND

#### Amendment history

Date of amendment	Part	Comment
28 November 2017	Contact details	Updated.
11 June 2015	All	Updated to new LAPS format and style.
7 August 2014	Contact details	Updated.
6 December 2011	Contact details	Updated.
20 July 2011	Contact details	Updated.
7 May 2008	Throughout	Amendments made to reflect repeal of STS.
	Contact details	Updated.

#### References

<b>Subject references</b>	oysters, stick farming method, trading stock
<b>Legislative references</b>	ITAA 1997 Div 70 ITAA 1997 70-45 ITAA 1997 Subdiv 328-E ITAA 1997 328-285 ITAA 1997 328-285(1) ITAA 1997 328-285(2) ITAA 1997 328-295(2) IT(TP)A 1997 70-41
<b>Case references</b>	
<b>File references</b>	04/5474
<b>Related public rulings</b>	
<b>Related practice statements</b>	
<b>ATO law topic</b>	Income tax ~~ Deductions ~~ Trading stock
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