


TD 93/47 - Income tax: banana growers - what expenses should be included in a cost price valuation of trading stock on hand at the end of the financial year under subsection 31(1) of the Income Tax Assessment Act 1936?

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 This ruling contains references to repealed provisions, some of which may have been rewritten. The ruling still has effect. Paragraph 32 in [TR 2006/10](#) provides further guidance on the status and binding effect of public rulings where the law has been repealed or repealed and rewritten. The legislative references at the end of the ruling indicate the repealed provisions and, where applicable, the rewritten provisions.

 This document has changed over time. This is a consolidated version of the ruling which was published on *29 November 2006*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Income tax: banana growers - what expenses should be included in a cost price valuation of trading stock on hand at the end of the financial year under subsection 31(1) of the *Income Tax Assessment Act 1936*?

1. We will accept valuations which are based on the cost of harvesting and processing the fruit. If it is difficult to precisely match specific expenses to the stock, we will accept a reasonable estimate.
2. There are other expenses incurred prior to harvesting which should normally also be included in the valuation. These are recurring annual expenses, particularly those which relate to the fruit rather than to the tree or the soil. One example would be the cost of putting ripening bags on the bunches of bananas.
3. However, we recognise that:
 - a) the quantity of stock on hand at any one time is small relative to total production;
 - b) some expenses are very difficult in practice to allocate to the value of stock on hand;
 - c) the amounts in question may be small.
4. For the above reasons we will accept valuations based only on harvesting and processing costs.

Notes: i) Harvesting and processing expenses include, but are not limited to, material, labour and overheads associated with all work done from picking the crop to loading it for transport. Some examples are items such as wages paid to pickers, depreciation of plant used for picking bananas, fuel for machinery used in the harvesting process, cost of packing bananas into cartons, cost of sorting bananas by grade and cost of electricity used in packing shed.

ii) Taxation Determination TD 93/23 refers to cartons, containers and packing materials and states that they are trading stock for primary producers.

Example

Mr Cavendish is a banana grower. As at 30 June he had 200 cartons of bananas which had been picked and were not sold until July. His total production for the financial year was 5,000 cartons of bananas. His total picking and processing expenses for the year were \$24,000. He calculates the value of stock as : 200 divided by 5,000 multiplied by 24,000. The value of stock on hand is \$960. We will accept this method of valuation.

Commissioner of Taxation

25/3/93

FOI INDEX DETAIL: Reference No. I 1214443

Previously issued as Draft TD 92/D203

Related Determinations: TD 93/23

Subject Ref: trading stock; banana growers

Legislative Ref: ITAA 31(1)

ATO Ref: TOW 4

ISSN 1038 - 8982