



TD 96/45 - Income tax: where a wholesaler's account for trading stock provides a retailer with a prompt payment discount which can be accumulated in an account, applied to the acquisition of new shares or transferred to an affiliated person or persons or company: can the retailer claim a deduction for the full purchase price; and is the discount assessable?

 This cover sheet is provided for information only. It does not form part of *TD 96/45 - Income tax: where a wholesaler's account for trading stock provides a retailer with a prompt payment discount which can be accumulated in an account, applied to the acquisition of new shares or transferred to an affiliated person or persons or company: can the retailer claim a deduction for the full purchase price; and is the discount assessable?*

 This document has changed over time. This is a consolidated version of the ruling which was published on 16 June 2010

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).

[*Note: This is a consolidated version of this document. Refer to the Tax Office Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.*]

Taxation Determination

Income tax: where a wholesaler's account for trading stock provides a retailer with a prompt payment discount which can be accumulated in an account, applied to the acquisition of new shares or transferred to an affiliated person or persons or company:

- **can the retailer claim a deduction for the full purchase price; and**
- **is the discount assessable?**

1. Yes to both.

2. The retailer is entitled to an allowable deduction under section 8-1 of the *Income Tax Assessment Act 1997* (ITAA 1997) for the gross amount at the time of the contract for the purchase of the goods (see paragraph 11 of Taxation Ruling TR 96/20).

3. Where a discount is received for prompt payment, the amount of the discount is assessable income under section 6-5 of the ITAA 1997 at the time the liability is satisfied (see paragraph 19 of Taxation Ruling TR 96/20).

4. Where the discount is transferred to the account of an affiliated person, the discount will have been received by the retailer and dealt with according to the retailer's instructions. The discount is still assessable income of the retailer under subsection 6-5(4) of the ITAA 1997.

5. A similar result occurs where a retailer is given the opportunity of accumulating trading discounts (incentives/rebates), wholly or in part, which may be applied towards the acquisition of new shares in the wholesaler company. In this situation, the discount is also derived by the retailer upon (sufficiently prompt) payment of the invoice being made.

6. Typically, however, there is no obligation to apply the account to the acquisition of shares, nor to leave any balance in the account indefinitely. The retailer can withdraw from the fund or make withdrawals from their incentive/rebate account at any time. Any such subsequent dealing with the moneys in the incentive account does not have taxation implications for the retailer.

Last Determination

This is the last Taxation Determination for the 1996 calendar year. The next Determination will be Taxation Determination TD 97/1.

Commissioner of Taxation

18 December 1996

FOI INDEX DETAIL: Reference No. I 1015227

Previously released as TD 96/D13

Related Determinations:

Related Rulings: TR 96/20

Subject Ref: allowable deductions; assessable income; cash settlement discount; discount; prompt payment
settlement; settlement discount; trading stock

Legislative Ref: ITAA 1997 6-5; ITAA 1997 6-5(4); ITAA 1997 8-1

Case Ref:

ATO Ref: J36/359 Vol 1; NAT 94/8736-1

ISSN 1038 - 8982