TD 92/126 - Income tax: property development: if in an isolated commercial transaction land is acquired for the purpose of development, subdivision and sale but the development and subdivision do not proceed, how is a profit on a sale of the land treated for income tax purposes?

This cover sheet is provided for information only. It does not form part of *TD 92/126 - Income tax: property development: if in an isolated commercial transaction land is acquired for the purpose of development, subdivision and sale but the development and subdivision do not proceed, how is a profit on a sale of the land treated for income tax purposes?*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of PartáIVAAA 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, the Determination applies to transactions entered into both before and after its date of issue.

Taxation Determination

Income tax: property development: if in an isolated commercial transaction land is acquired for the purpose of development, subdivision and sale but the development and subdivision do not proceed, how is a profit on a sale of the land treated for income tax purposes?

1. Net profit made on the sale of the land is assessable income under subsection 25(1) of the *Income Tax Assessment Act 1936*.

2. The land is not treated as trading stock because a business of trading in land was not commenced.

3. In calculating the profit on the sale of the land the cost of the land is deducted from the proceeds of sale.

Example:

A taxpayer purchases broadacres of land with the intention of development and subdivision into residential blocks for sale. After purchase, the property market suffers a downturn and the taxpayer's expected source of finance fails to materialise. The land lies idle until it is eventually sold some years later.

The net profit on the sale of land is assessable income under subsection 25(1).

Commissioner of Taxation
16/07/92

FOI INDEX DETAIL: Reference No. I 1212956
Related Determinations: TD 92/124; TD 92/125; TD 92/127; TD 92/128
Subject Ref: land development; development does not proceed
Legislative Ref: ITAA 25(1)
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