

TD 93/127A1 - Addendum - Income tax: trading stock of gold miners: what is the application of subsection 31(2) of the Income Tax Assessment Act 1936 to the low grade ore stocks where the notional market selling value is below cost?

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Addendum

Taxation Determination

Income tax: trading stock of gold miners: what is the application of subsection 31(2) of the *Income Tax Assessment Act 1936* to the low grade ore stocks where the notional market selling value is below cost?

This Addendum amends Taxation Determination TD 93/127 to reflect the changes to the law caused by the repeal of inoperative provisions.

TD 93/127 is amended as follows:

1. Title

Omit 'subsection 31(2) of the *Income Tax Assessment Act 1936*'; 'substitute section 70-50 of the *Income Tax Assessment Act 1997* (ITAA 1997)'.

2. Paragraph 2

Omit first sentence; substitute 'Section 70-45 of the *Income Tax Assessment Act 1997* (ITAA 1997) gives the taxpayer the option to value an item of trading stock at its cost, its market selling value or its replacement value.'

3. Paragraph 3

Omit the paragraph; substitute:

3. Section 70-50 of the ITAA 1997 allows a taxpayer to elect to value an item of trading stock below all the values in section 70-45 because of obsolescence or any other special circumstances, provided that the value is reasonable. This section is intended to apply particularly where taxpayers would be disadvantaged in valuing stock under the existing bases provided in section 70-45, for example in the case of articles of trading stock such as discontinued lines, obsolete items and spare parts for which there may only be a sporadic market.

4. Paragraph 4

- (a) Omit both references to 'subsection 31(1)'; substitute 'section 70-45'.
- (b) Insert 'selling' after 'market' in the first sentence.
- (c) Omit 'subsection 31(2)'; substitute 'section 70-50'.

5. Paragraph 5

Omit 'subsection 31(2)'; substitute 'section 70-50'.

6. Paragraph 6

Omit paragraph; substitute:

6. There may be circumstances other than price fluctuations where taxpayers could be disadvantaged by the application of section 70-45. The following circumstances may constitute special circumstances in which a taxpayer may elect under section 70-50 to use a lower or nil value, as appropriate, for low grade ore stocks on hand at the end of the income year:

- continual stockpiling of large quantities of low grade ore;
- minimal amounts previously processed;
- processing costs are unlikely to fall substantially;
- stocks are being used for rehabilitation.

This list is not meant to be exhaustive and each case must be decided on its merits.

7. Legislative references

Omit references; substitute 'ITAA 1997 70-45; ITAA 1997 70-50'.

This Addendum applies on and from 1 July 1997.

Commissioner of Taxation

17 November 2010

ATO references

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ATOlaw topic: Income Tax ~~ Trading stock and work in progress