# *IT 219 - Primary production - artificial breeding services - cattle industry*

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# TAXATION RULING NO. IT 219

## PRIMARY PRODUCTION - ARTIFICIAL BREEDING SERVICES - CATTLE INDUSTRY

F.O.I. EMBARGO: May be released

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F.O.I. INDEX DETAIL

| REFERENCE NO: | SUBJECT REFS: | LEGISLAT. REFS: |
|---|---|---|
| I 1102941 | ARTIFICIAL BREEDING SERVICES<br>CATTLE INDUSTRY<br>PRIMARY PRODUCTION - DEFINITION | 6(1) |

PREAMBLE Consideration has been given to the question of whether the sale of semen for artificial breeding services in the cattle industry falls within the definition of primary production.

RULING 2. It may be accepted that a business conducted for the purpose of providing artificial breeding services for the beef cattle industry by way of the sale of semen collection from bulls owned and maintained in the business is one of "primary production" as defined in section 6(1) of the Act.

3. It is agreed that the income from the sale of semen will form part of the vendor's assessable income in the normal way and that a purchaser who acquires the semen for the purpose of gaining or producing assessable income will be entitled to a deduction. However, the value of stock on hand at the end of the year of income need not be brought to account only on the basis of cost. At the option of the taxpayer, any of the methods of valuation specified in section 31 of the Act may be adopted.

4. In the course of these practices, cases may arise of purported sales of notional shares in a bull in the form of a right to receive a certain number of ampoules of semen from the bull and the agreement to re-transfer that share automatically at a specified time, or on the occurrence of a specified event, possibly in order to comply with progeny registration requirements of some breeding societies.

5. In these circumstances, it has been decided that the only practical way to account for live stock from an assessing viewpoint is to ignore the transaction dealing with a notional share of the bull in returns of both the "vendor" and the "purchaser". Thus, the transaction should not be brought to account in the live stock schedules of the so-called vendor or purchaser.

6. The reality of this situation is that the nominal vendor remains at all times the sole owner of the bull. The transaction apparently transferring a share of the bull is purely a mask and the actual consideration which form the basis of the agreement are the sale and purchase of semen.

COMMISSIONER OF TAXATION