Date Introduced: 24 August 1983
House: Senate

Short Digest of Bill

Purpose

To entitle manufacturers and producers who donate property to certain nominated funds, institutions or bodies or classes of them to a deduction from assessable income.

Background

People who donated food and other products after the Victorian and South Australian bushfires in early 1983 have expressed concern that, in certain circumstances, they were unable to claim the cost of the donation as a tax deduction. Further, they have claimed to have been penalised twice where the product donated constituted trading stock of their business. That is, they were denied the cost of the donation as a tax deduction and had to add the value of the item donated back into their assessable income.

Had they sold the product and donated the proceeds to charity then a tax deduction for the gift would have been allowable under section 78 of the 'Principal Act'. This latter approach would, however, leave fewer products, "be it food, shelter or blankets in the hands of the charity" at a time when it would no doubt be preferable for it to receive goods rather than money.

Outline

The Bill removes the penalty attached to donations of trading stock and thus facilitates a speedy and more effective transfer of goods to those adversely affected by national disasters. Taxpayers will no longer be required to add the value of trading stock donated back into assessable income where the gift is made to a recognised fund etc. referred to in paragraph 78 (1)(a) of the Act.
Main Provisions

The Bill is deemed to have commenced on the date on which it receives Royal Assent (Clause 2).

Clause 3 removes the requirement for a taxpayer to add the value of trading stock donated to a recognised fund as set down in paragraph 78(1)(a) back into assessable income.

Remarks

1) The proposed amendment provides some taxpayers with a double deduction.

The incidence of a double deduction would occur when the trading stock purchased within 12 months of it being donated to a nominated organisation qualifies for a deduction under the gift provisions of the "Principal Act" (section 78). Normal tax accounting procedures also provide a taxpayer with a deduction for trading stock. However, the double benefit would be limited to (say) trading stock of a wholesaler which is donated in essentially the same form as purchased. Trading stock produced from so-called raw materials would not constitute property purchased as referred to in paragraph 78(1)(a) of the "Principal Act".

2) The proposed amendment only applies to property that is trading stock and would not benefit taxpayers who donate (say) fodder.

Achievement of the purpose of the proposed amendment is not lessened by this aspect as the cost of producing fodder (e.g. seed costs, fuel, maintenance etc.) are claimable against assessable income as items of expense. Thus the taxpayer receives a deduction for the cost of producing fodder under normal tax accounting procedures.

For further information, if required, contact:

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