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20 November 2014

Committee Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
BY EMAIL: rrat.sen@aph.gov.au

Dear Sir/Madam

RE: SUBMISSION

In response to the Senate Rural and Regional Affairs and Transport Committee's call for submissions to its Inquiry into *Industry structures and systems governing the imposition of and disbursement of marketing and research and development (R&D) levies in the agricultural sector*, I would like to provide the attached document for consideration.

In the document, I have described what I see as a plausible replacement mechanism for the collection of the flat-rate Cattle Transaction Levy. I understand this topic may well have been, and still is, directly relevant to the Committee's recently completed Inquiry into grass-fed cattle structure and levies; however, the concept presented has potential application to the collection of a wide range of agricultural levies currently collected to fund socialised industry programs.

This paper has been presented to and discussed by the Boards of Cattle Council of Australia and Red Meat Advisory Council. These Boards recognised the merits of this approach to levy collection and suggested I approach the Australian Taxation Office to gauge its willingness to assist in the manner described in the paper.

I commend this paper to the Committee and ask it to consider the concept of a Value Added Levy for cattle and for the broader agricultural industry, particularly where flat-rate levies (as against percentage levies) or *ad valorem* levies (as against value-added levies) are currently charged.

Yours faithfully

Justin Toohey
Director

Att: Paper on the merits of a Value Added Levy

VALUE-ADDED LEVY FOR CATTLE

AN ALTERNATIVE TO THE CATTLE TRANSACTION LEVY

29 October 2014

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1 *Summary and recommendations*

This paper has been written to inspire debate around the merits or otherwise of introducing a Value Added Levy (VAL) to replace the current Cattle Transaction Levy (CTL).

A VAL would be equivalent, in a mechanical sense, to the Goods and Services Tax (GST) in that it would apply as a percentage charge against the *value added* to cattle by each owner, calculated simply by subtracting the prices paid for animals when purchased from the prices received when sold.

With agreement from the Australian Taxation Office, Business Activity Statements or Annual Income Statements would be used for recording prices paid and received for cattle when purchased and sold respectively during the tax period, with the VAL applied by the ATO to the differential. In periods where more has been paid than has been received by the owner, a VAL credit would occur.

This form of levying has a number of advantages:

i. It is equitable in that every owner of cattle is treated equally in percentage terms. If one owner has paid twice the VAL nominally as another owner of the same animal, that owner, by definition, has added twice the value to the animal.
ii. From the animals' perspective, it is also equitable in that all cattle 'pay' an identical percentage of their end value (i.e., at the time of sale for slaughter or export), no matter how many times they have been traded through their lives.
iii. The ATO is a tax-collecting specialist. By involving the ATO and its well-established, auditable GST-collection system, collection of the VAL can be done efficiently, cheaply and accurately, negating the need for the Department of Agriculture's Levies Management Unit to be involved.
iv. For the purposes of identifying voting entitlements under the VAL system, the ATO could, with the permission of the levy payer, provide the exact amount of levies paid by each owner.
v. The sellers of cattle would become responsible themselves for submitting their own levies, removing the dependence on downstream levy collectors.
vi. Levy payments would be transparent, auditable and able to be linked to the individual payers.
vii. The current need to categorise livestock between bobby calves and adult cattle (for levying purposes) would be removed.

RECOMMENDATIONS

Given the VAL is a concept only, there is work to be done in pursuing a VAL to implementation should that be the wish. In this regard, the following recommendations are presented for consideration:

1. That support be given for further investigation of the concept's potential financial implications.
2. That discussion be held with the ATO to gauge its willingness to collaborate in applying the concept.
3. That discussion be held with Government regarding transition arrangements, should the initiative be adopted.
4. That widespread and appropriate consultation be undertaken to ensure a high level of understanding and agreement is reached before any implementation is pursued.

Table of Contents

1 SUMMARY AND RECOMMENDATIONS I
2 INTRODUCTION 1
2.1 THIS PAPER 1
2.2 THE ISSUE 1
2.3 ORIGIN OF THE CTL 1
2.4 LEVIES ARE A TAX 3
3 THE VAL – A VIABLE ALTERNATIVE TO THE CTL? 3
3.1 BASIC PRINCIPLES OF A VAL 3
3.2 COLLECTION AND DISTRIBUTION OF THE VAL RELATIVE TO THE CTL 3
3.3 CALCULATION OF THE VAL PERCENTAGE 4
3.4 EQUITY OF THE VAL RELATIVE TO THE CTL 4
3.5 EQUITY BETWEEN BREEDERS AND DOWNSTREAM OWNERS – VAL VERSUS CTL 5
3.6 HIGH-VALUED AND DAIRY ANIMALS 5
4 THE VAL'S RELEVANCE TO INDUSTRY 'POLITICS' AND POLICY 6
4.1 SENATE RRAT COMMITTEE'S RECOMMENDATIONS 2, 3 & 4 6
4.2 DISTRIBUTION OF PROCEEDS FROM THE VAL 7
5 ADVANTAGES AND DISADVANTAGES OF THE VAL VERSUS CTL 7
6 WHERE TO FROM HERE? 8
6.1 REFINEMENT 8
6.2 TRANSITION ISSUES 9
6.3 CONSULTATION 9
APPENDIX 1 – GST ON CATTLE LEVIES 10
APPENDIX 2 – PRACTICAL EXAMPLES OF VAL VS CTL 12

2 *Introduction*

2.1 *This paper*

Justin Toohey of J Toohey and Associates Pty Ltd has prepared this paper of his own volition. It is intended, at the very least, to provoke discussion around the merits or otherwise of a Value Added Levy (VAL) to replace the ageing and, in some minds, wanting Cattle Transaction Levy (CTL).

The intention has been to focus only on the levy-collection system and not on structures or programs supported by the levy.

2.2 *The Issue*

A number of problems exist with the CTL. These problems have been acknowledged since the CTL's commencement as a trial in 1991; however, the CTL appeared the most plausible and manageable alternative at the time for collecting industry moneys to fund industry programs.

The Senate's Rural and Regional Affairs and Transport (RRAT) Committee recently handed down its report following an Inquiry into grass-fed levies. While the Committee focused on matters other than the CTL itself, it did reignite questions around one of the CTL's failings: the collection mechanism and an accusation of some processors claiming producer-paid levies as their own in order to inflate their votes at Meat and Livestock Australia's (MLA) annual meetings.

There is little argument against some form of levy mechanism existing. Many industry-funded programs are essential to the health and wellbeing of our herd, to ongoing market access for our products and to the overall profitability of the industry. 'Market failure' principles apply in that, without a broad industry levy, these essential programs would cease through lack of any commercial drivers at the individual level.

So what is the best form of levy?

In finding the answer, the following principles are relevant:

1. the levy should be equitable, transparent, cheap to collect and cheap to administer; and
2. the levy should be auditable so that those who pay are identifiable and have a say in its expenditure commensurate with the amount of levies they pay.

It is more than possible that a VAL, designed and managed on an identical platform to the Goods and Services Tax (GST), can deliver against these principles.

2.3 *Origin of the CTL*

In the early days of industry-funded programs, a single levy was charged at the point of slaughter. This 'Slaughter Levy' caused much disquiet, mainly because the processors believed they were making the payments and so should have all the say in how the money was spent and the producers considered the payments to be coming from their proceeds and so believed they should have the say.

Widespread agreement was reached in 1988 that greater transparency was needed and that this could be achieved by spreading the levy across the producing and processing sectors. An industry/Government working group was established in May

1989 for the purpose of refining the mechanisms for the general application of a flat-rate levy.

The CTL was introduced for a three-year trial phase in February 1991.

With this trial as a backdrop, Cattle Council of Australia developed an Options Paper in December 1991 around five potential methods of collecting levies from industry to fund essential programs:

1. the status quo (i.e., CTL), being a flat-rate levy on each animal sold using two tiers: adult cattle and bobby calves;
2. the CTL but with a third tier based on the animal's value;
3. a split Transaction/Slaughter Levy for producers only;
4. an *ad valorem* levy (being a percentage charged against the price at which each animal was sold); and
5. a Value Added Levy, being calculated as a percentage of the value added by each owner, nominally charged at the point of sale but finally collected when the animal was sold for slaughter.

Each model had its advantages and disadvantages.

Option 1, the CTL, which was under trial at the time, was finally chosen for its simplicity. Calculations were made to determine how much should be charged per head at point of sale (transaction) with an equivalent amount charged against processors on a per-kilogram-of-carcase-weight basis. The two amounts were collected by the Federal Government's Levies Management Unit and distributed at that time to the Australian Meat and Livestock Corporation, the Meat Research Corporation, the Brucellosis and Tuberculosis Eradication Campaign and the National Residue Survey.

Option 5 (the VAL) was seen as the most equitable but, because the GST didn't exist in Australia at the time, appeared too complicated to comprehend. This was exacerbated by the lack of capacity to collect the levy until the animal was finally sold for slaughter, with the levy against intermediate owners only notionally charged along the supply chain.

The Levies Management Unit (LMU), being the departmental agency responsible for collecting and distributing the levy, provided the following estimated annual costs for administering the five options at that time:

Option 1, CTL	$1m
Option 2, additional tier	$1.1-1.2m
Option 3, split levy	$1.4-1.5m
Option 4, Ad valorem	$2.5-2.6m
Option 5, VAL	$0.5-0.6m.

So, as well as being seen as the most equitable, Option 5 was also the cheapest. Still, other factors ruled it out as a workable option in the 1990s.

While the CTL has stood the test of time, its disadvantages remain (these are explained in more detail under Section 5). Examples include accusations made to the recent Senate Committee Inquiry over downstream collectors falsifying their levy figures; high levy receipts caused by droughts driving higher numbers of transactions then slumps in receipts following widespread rain; weaner producers paying a much higher proportion in levies when their animals' values are low; and so on.

2.4 *Levies are a tax*

Levies are now widely accepted as a tax, albeit a tax agreed by industry to address market-failure aspects of program funding. With this in mind, collection of levies can be considered in light of collection of other taxes.

When the CTL was introduced, the Australian taxation system was based on Federal income taxes, wholesale sales taxes and State duties and retail taxes. The collection of these taxes was relatively untidy and inefficient and provided a poor model for levy collection. The VAL, generally considered the most equitable of the five levy options being considered in 1991-2, attracted very little understanding and would have proved administratively difficult, if not impossible, to apply.

The Howard Government introduced Australia's GST on 1 July 2000.

With 14 years' experience, the community has become familiar with the workings and purpose of the GST, paving the way for consideration of linking, in a mechanical sense, collection of the industry's levy to the relatively efficient GST system, thus delivering a far more equitable and cost-effective means of collecting industry moneys for use on industry-driven programs.

3 *The VAL – A viable alternative to the CTL?*

3.1 *Basic Principles of a VAL*

Essentially, the VAL is a percentage-based levy applied against the value the vendor has added to the animal, not just against the sale price.

Application of this method of collection is eminently achievable given its equivalence, in an operational sense, to the GST. That is, when a vendor sells cattle, the proceeds (excluding GST) are netted off against the purchase price (excluding GST) of the cattle, with the levy being charged on this net amount.

This 'netting off' and recording is proposed to be done directly between the vendor and the ATO using the method described under Section 3.2.

In the event of purchases exceeding sales in any one tax period, the VAL would net as a negative figure and would attract levy credits for that period.

3.2 *Collection and distribution of the VAL relative to the CTL*

Unlike collecting the CTL, which often relies on buyers being responsible for submitting the levy to the LMU, collecting the VAL would be done, if the Government agrees, by the ATO via the levy payer's monthly, quarterly or annual Business Activity Statement (BAS) or Annual Income Statement (AIS), depending on the tax status of the levy payer.

(There is commentary under APPENDIX 1 – GST on Cattle Levies, where the inter-relationship between industry levies and the GST is explained.)

Collection of the VAL by the ATO renders it unnecessary for the LMU to be involved, with a potential saving to the industry depending on the differential between the administration costs of the LMU versus those of the tax-collecting specialist, the ATO. Likewise, with levy payers being responsible for their own BAS or AIS, the current industry collection points (agents, processors, feedlots) would be unnecessary except in submitting their own returns where relevant.

The ATO would then pass the moneys to the relevant industry organisation for distribution[1].

3.3 *Calculation of the VAL percentage*

As mentioned earlier, one could consider the VAL as being paid by the animal, not the custodian of the animal. This is an odd concept but one that helps to gain an understanding of how the VAL is to be calculated and why the CTL is so inequitable.

Under the CTL, an animal that is traded five times, for example, has five levies charged against it; on the other hand, for an equivalent animal traded once (for slaughter), only one levy is paid. The latter animal attracts a levy charge of only 20% that of the former.

Under a VAL, it doesn't matter how often an animal is traded: the percentage charge against the value added to each animal accumulates through the animal's life until, at the end, it totals the percentage at which the VAL has been set.

The level of the VAL is found by determining how much total levies are to be collected for industry throughout the year and dividing it by the total value of cattle at slaughter.

Practically it would be calculated as follows (estimates only)[2]:

PER YEAR	
Total levy money currently collected under the CTL (A)	$63m
Total cattle slaughtered (B)	8.5m
Average value of cattle at slaughter (C)	$1,000
Total value of cattle slaughtered (D = B x C)	$8.5b
Total levy required as percent of Total Value at Slaughter (E = A ÷ D)	0.75% approx

As the animals transition from birth to slaughter, a VAL is charged at each transaction point. Because it is applied only to the value added by each owner (calculated by subtracting from the total sale price any moneys paid for the animals), the total levies collected for the entire life of the animals is equivalent to 0.75% of their value at the time of slaughter.

3.4 *Equity of the VAL relative to the CTL*

The custodianship of animals throughout their lives varies considerably from involving a single owner (breeder) to multiple owners (breeders then fatteners, dealers, lotfeeders and/or processors).

[1] At present, the LMU distributes moneys to recipient organisations but this may change if relevant recommendations from the Senate's RRAT Committee are adopted; an industry body may be charged with this responsibility.

[2] Figures, which are to be refined, account for a level of collection equivalent to the current collection from the CTL; industry may wish to take this opportunity to increase its take from a VAL given the financial strain currently on funding essential industry programs.

As the name suggests, collection of the CTL occurs at every transaction. From the point of view of levies per animal (i.e., what the animal is paying), the CTL (currently $5 per adult head) can therefore be collected a single time or multiple times.

The VAL on the other hand, because it would apply to the value added by each owner from the animals' birth to their sale for slaughter or export, would be identical in percentage terms regardless of the animals' ages and prices.

This equity differential is clearly demonstrated in the three examples in "APPENDIX 2 – Practical Examples of VAL vs CTL". Whereas the accrued CTL contribution from a $1,000 animal with one owner versus one with three owners varies from 0.5% to 1.5%, the VAL remains constant (on current figures, at 0.75%).

3.5 *Equity between breeders and downstream owners – VAL versus CTL*

Under the CTL, breeders pay an identical amount to downstream owners, regardless of how long their ownership has been or how much or little each owner has added to the value of the animals.

This is clearly demonstrated in the three examples in APPENDIX 2 – Practical Examples of VAL vs CTL. In each of the examples, Owner A (the breeder) pays a $5 CTL on the sale of each animal. In the case of being the single owner (Example 1), the breeder is advantaged because the CTL represents only 0.5% of the final sale price of $1,000. This, of course, changes in the following two examples where Owner A is paying 1% (i.e., $5/$500) and 1.25% ($5/$400) respectively of the sale price. While not covered in the examples given, this $5 CTL contribution from Owner A would rise to 3.3% of the sale price if it were a mere $150.

The converse is the case for owners further down the chain: the less the price paid for their cattle, the higher the percentage they would be paying when measured against the sale price. Indeed, when the CTL contributions of Owner B and onwards are gauged against the *value* they have added to the animal during their ownership (rather than the sale price), the higher the percentage of CTL they are paying. In Example 3 of APPENDIX 2 – Practical Examples of VAL vs CTL, for example, Owner B's CTL contribution is 0.7% of the sale price (i.e., $5/$700) but 1.7% of the value added ($5/$300).

In summary, the CTL falls unevenly onto each owner, with the degree of disparity dependent on the stage at which the cattle change hands and the level of value each individual owner adds.

In the case of the VAL, *all* owners pay an equivalent levy in percentage terms, and only on the value they've added to the cattle being sold. If one owner along the chain pays twice the VAL (in dollar terms) compared with another, by definition that owner has added twice the value to the animals.

On the rare occasion when an animal's value decreases under one owner, the netting effect of taking the sale price from the purchase price would yield a negative number, which would lead to a VAL credit on the BAS or AIS.

3.6 *High-valued and dairy animals*

As the VAL is a percentage-based levy, the higher the value of the animal the more levy will be paid in dollar terms. For high-valued animals, e.g., stud animals, arguments will be mounted for some dispensation, perhaps in the form of a ceiling being put on the value of the animals for levy calculation purposes. However, this should be resisted.

Whether an animal is worth $100 or $100,000, the VAL, being a percentage-of-value-added levy, should be applied consistently to maintain its equity. Should a producer selling 100 animals at $1,000 per animal be required to pay more levies than a producer selling one bull for $100,000? Not if equity is the goal.

Consideration of this would be analogous to consideration of providing special dispensation for producers selling 200,000 head of cattle each year simply because they make more money, in nominal terms, than a producer selling 20 head. Clearly this would be unrealistic.

Apart from these obvious inequities, the introduction of any exemptions or dispensations would weaken the system and reduce its efficiency. The only exception to this would be in maintaining the levy exemption for dairy cattle sold for dairy purposes (because they are not considered part of the beef-producing sector); all other dairy cattle sales would attract the VAL as described above.

For the model to remain truly equitable, the purchase price of bulls bought for breeding purposes would be netted off by the producer against the sale price of cattle during the recording period.

4 *The VAL's relevance to industry 'politics' and policy*

4.1 *Senate RRAT Committee's Recommendations 2, 3 & 4*

Those who pay should have the say.

This is commonly spoken in reference to levy payers and their capacity to influence policy development and industry programs. It is the principle behind two of the recommendations coming from the recent inquiry into the grass-fed cattle industry levy and structure conducted by the Senate's Rural and Regional Affairs and Transport Committee. These two recommendations are:

> *Recommendation 2*
>
> *The committee recommends the establishment of a cost-effective, automated cattle transaction levy system. The system should identify levy payers against levies paid. The automated system should provide for more immediate settlement of levy fees paid and the allocation of voting entitlements. It should be subject to regular independent auditing and verification. [7.30]*
>
> *Recommendation 3*
>
> *The committee recommends that the Primary Industries (Excise) Levies Act 1999 be amended to ensure that levies paid by processors are recognised as processor (or slaughter) levies and not as producer (or cattle transaction) levies. [7.35]*

Provided the ATO agrees to collect it on industry's behalf through the BAS or AIS, the VAL would address both these recommendations.

Regarding Recommendation 2, the system being proposed for collecting the VAL would be analogous to the collection system for the GST, meaning it would be automated and would enable recording of 'levies paid', right down to the last cent, against the person paying the levy. For companies, these data would align with their

Australian Business Number and, for non-businesses, with their personal details on their AIS.

This is relevant to Recommendation 3 in that, under the VAL, every cent of levy would be assigned correctly to the payer. In other words, unlike with the CTL, levies would be submitted directly by the vendor to the ATO without reliance on the purchaser or agent collecting and submitting the levy on the vendors' behalf. Confusion over whether the levies were paid by the producer or the processor would be removed.

In his regard, the audit called for by the Senate's RRAT Committee under its Recommendation 4 (…*that the Australian National Audit Office conduct an audit of the cattle transaction levy system, tracing the levy from inception and focusing on the revenue from, and expenditure of, the respective components of the levy*) would, under the VAL, be either unnecessary or far easier to conduct.

4.2 *Distribution of proceeds from the VAL*

The VAL offers far greater clarity in who is paying and to which sector the payer belongs. This is made evident through the information provided on the BAS or AIS.

Whatever body is chosen or constructed to distribute the levy in the future (following implementation of changes stemming from the Senate review), its task will be made considerably easier under the VAL than the CTL because of the greater clarity of levy source. This is made possible by the much more direct involvement of the ATO through the use of each levy payer's BAS or AIS.

Producer levies can be far more easily distinguished against lotfeeder levies, and therefore distributed more appropriately. Processors will continue to pay their own cents-per-kilogram levy, with these moneys making their way specifically to the processing sector's service company. Likewise, the livestock exporters would continue to pay their levies, collected under their own preferred system, to LiveCorp.

5 *Advantages and disadvantages of the VAL versus CTL*

In the following table are summarised the advantages and disadvantages of the VAL versus the CTL levy mechanisms, as covered in the paragraphs above.

	ADVANTAGES	**DISADVANTAGES**
Cattle Transaction Levy	1. Relatively predicable income for levy recipients ($5 times relatively predictable number of transactions). 2. Easily understood (flat $5 per adult-head transaction).	1. Per-transaction rather than per-animal levy means some animals are levied multiple times. 2. Inequitable in its application to different owners when cattle have multiple owners. 3. Levy remains fixed regardless of animal's value or economic or climatic circumstances. 4. Heavy reliance on livestock agents and buyers to submit the levy on vendors' behalf. 5. Relies on the Levies Management Unit for transparency of collection and distribution. 6. Arbitrary levy differential between

		adult cattle and bobby calves. 7. Lacks transparency in terms of who pays the levy and therefore who should have the say.
Value Added Levy	1. Simple collection system (modelled on the GST collection system). 2. Levy applied only to the value added by the levy payer and so maximises principles of equity. 3. Levy submitted by the levy payer and not a downstream 'collector'. 4. Every cent of levy is recorded against payer's ABN or personal details. 5. Individuals' and sectors' say in policy and program development can be weighed exactly against VAL contributions. 6. Stable levy income for recipients as lower slaughterings are offset by higher prices and vice versa. 7. Identical percentage of levy against every animal. 8. Removes the need to categorise livestock for levying purposes (e.g., adult cattle, bobby calves). 9. Removes reliance on the Department of Agriculture's Levies Management Unit to manage collection and distribution of levy moneys.	1. It appears complicated to those who don't yet understand the principle behind the GST. 2. Application of this initiative requires ATO agreement. 3. Would require ATO approval for collection information to be used to assign votes at MLA AGMs and the like.

6 *Where to from here?*

6.1 *Refinement*

For the purpose of this paper, the VAL has been estimated at 0.75% (see Section 3.3 Calculation of the VAL percentage); this will need refinement.

Other issues for resolution include:

i. whether the Federal Government would support the initiative;
ii. whether the ATO would be a willing partner in applying the VAL (this could be a make-or-break issue); and
iii. whether current levy-funded programs are appropriate and expenditure on them is at an appropriate level (the outcome of this discussion will have an impact on the level of VAL).

6.2 *Transition issues*

In the event of the VAL being adopted, transitioning from the CTL will require careful planning and, most likely, some form of short-term loan to ensure continuity of programs while the levy stream is adjusted.

Where the CTL is collected continuously and submitted by the collectors mostly on a monthly or quarterly basis, submission of the VAL will be in keeping with the vendor's tax period that, in some cases, may be annual.

While many businesses submit their BASs monthly or quarterly (with the latter creating some risk of cash-flow lag), most individuals, who depend on an annual tax return, often have until May after the end of the financial year to pay their taxes, which would disrupt the cash flow for levy recipients quite considerably.

These income lags would ease once the VAL has been established for 18 months, but the lumpy nature of annual tax returns will remain, perhaps underpinning a need for the levy recipients to carry higher reserves than normal in the early part of the financial year and to depend on a loan to carry them through the initial transition period.

6.3 *Consultation*

Clearly for this proposal to be adopted, industry agreement would be sought as a first step. This would involve thorough consultation with all sectors through the supply chain, as its adoption would mean changes for each.

Once the details are more clearly defined, widespread consultation must include at least the following:

- the Australian Taxation Office;
- RMAC and its members;
- non-RMAC industry organisations, predominantly the agent, seedstock and dairy bodies;
- current CTL recipient organisations (particularly MLA and Animal Health Australia);
- recipient organisations of other industry levies (Australian Meat Processor Corporation and LiveCorp);
- Federal politicians; and
- the Department of Agriculture.

APPENDIX 1 – GST on Cattle Levies

7.4 Levies[3]

7.4.1 - Livestock Transaction Levies

Question

What is the correct treatment in relation to GST and the deduction of livestock transaction levies?

Non-interpretative – straight application of the law

Answer

These levies are calculated on the value of the product. They are then deducted from the price of the product. The price is GST-inclusive.

Explanation

The primary industry levies on livestock are imposed under the Primary Industries (Excise) Levies Act 1999. Livestock levies become payable on or after the sale of livestock and are deducted from the GST inclusive price of the livestock. Most of the primary industry levies are imposed on a volume basis not a value basis.

The levies themselves are not subject to GST as they fall within the regulations made for the purpose of section 81.15 which prescribes fees and charges that do not constitute consideration.

For the treatment of fees and charges under Division 81 refer to **PS LA 2013/2 (GA)**

EXTERNAL LINK

- GST treatment of Australian fees or charges under Division 81 of the A New Tax System (Goods and Services Tax) Act 1999.

For example:

A farmer sells 10 head of cattle to a meat processor

Sale of 10 head of cattle @ $300/head	$3,000
GST 10%	$ 300
GST Inclusive Price	$ 3,300
less livestock transaction levy @$3.50/head	$ 35
Amount payable to the farmer by the meat processor	$ 3,265

In the example above, the farmer will be liable to remit $300 to the Australian Taxation Office. The purchaser on making a creditable acquisition may be entitled to an input tax credit of $300.

[3]SOURCE: https://www.ato.gov.au/business/consultation--business/in-detail/gst-issues-registers/primary-production-industry-partnership---issue-register/?page=1#7_livestock

7.4.2 - Rural Lands Protection Board (RLPB) rates

Question

Will Rural Lands Protection Board (RLPB) rates that apply on the basis of the number of stock carried on farms be GST free?

Non-interpretative – straight application of the law

Answer

Yes.

Explanation

These levies will not be subject to GST since payment, or the discharging of a liability to make a payment of the levy, is not the provision of consideration under Division 81.

APPENDIX 2 – Practical Examples of VAL vs CTL

Following are three examples of cattle being sold at slaughter for $1,000 per head.

In Example 1, the breeder retains ownership until time of slaughter; in Example 2, the animal changes hands once (for $500) before being sold for slaughter; and in Example 3, the animal changes hands twice (for $400 then $700) before being sold for slaughter.

Note the variation in the cumulative CTL versus the consistency in the cumulative VAL.

EXAMPLE 1

Birth → Sale for slaughter

	OWNER A	**Cumulative totals**
Sale price	$1,000.00	
Value added	$1,000.00	
Levy if CTL	$5.00	$5.00
Cumulative CTL as % of final sale price		0.50%
Levy if VAL	$7.53	$7.53
Cumulative VAL as % of final sale price		0.75%

EXAMPLE 2

Birth → Sale for slaughter

	OWNER A	OWNER B	**Cumulative totals**
Price	$500.00	$1,000.00	
Value added	$500.00	$500.00	
Levy if CTL	$5.00	$5.00	$10.00
Cumulative CTL as % of final sale price			1.00%
Levy if VAL	$3.76	$3.76	$7.53
Cumulative VAL as % of final sale price			0.75%

EXAMPLE 3

Birth → Sale for slaughter

	OWNER A	OWNER B	OWNER C	**Cumulative totals**
Price	$400.00	$700.00	$1,000.00	
Value added	$400.00	$300.00	$300.00	
Levy if CTL	$5.00	$5.00	$5.00	$15.00
Cumulative CTL as % of final sale price				1.50%
Levy if VAL	$3.01	$2.26	$2.26	$7.53
Cumulative VAL as % of final sale price				0.75%