

## LIVESTOCK VALUATION OPTION ELECTIONS

(Extract taken from Farm Accounting Made Easy, Module Three, pages 26-28)

*FA (Vol 21, Pgs 5-6) [p161]*  
*FA (Vol 54, Pgs 1-2) [p164]*  
*FA (Vol 59, Pgs 1-5) [p166]*

Understanding the rules for applying the livestock methods is important.

To transfer livestock between methods either requires a same year election, two year written notification or no election at all.

In most cases, a **same year** notice is affected "*by the mere fact of the relevant valuation method being used for the purpose of the taxpayer's return of income for the income year*".CCH.

The one exception to this rule is in respect to a taxpayer entering livestock into the **Herd Scheme for the first time**. A formal written notice of election is required, and it should include:

*Sec EC 11 [p229]*  
*Sec EC 14 [p232]*

- The income year in which the election will first apply.
- The type and classes of livestock to which the election relates.
- The existing (if any) and proposed valuation method to be used.
- Some additional information in respect to herd value ratios if these are being elected.

Two year notices must be made in writing, they must contain the information as outlined above, and "*any such written notice shall be given to the Commissioner not later than the day on which the taxpayer furnishes to the Commissioner the taxpayer's return of income for ... .. an income year that precedes by not less than two income years the income year in which the election is first to apply ... ..*".Section EC 11(1) – (3).

Therefore, a notice to change valuation systems in the 2009 income year could be given (with the filing of the 2007 tax return) as late as March 31 2008.

The rules for changing valuation methods can be summarised as follows:

- ***Two year written notice required for:***
  - » Changing from herd to any other method.
  - » Changing from herd value ratio to NSC or SAC or MV/RP.
  - » Changing from SAC to NSC.
  
- Same year notice required for:
  - » Changing from NSC to herd or herd value ratio.
  - » Changing from SAC to herd or herd value ratio.
  - » Changing from MV/RP to herd or herd value ratio.
  
- No notice required for:
  - » Changing from MV/RP to NSC or SAC.
  - » Changing from NSC or SAC to MV/RP.

NOTE:

- It is not possible to change from herd value ratio to herd.

*FA (Vol 13, Pgs 4-5) [p146]*

*The following chart sets out details of election requirements:*

	TO: FROM:	HERD	HVR	NSC	SAC	MV/RP
	HERD		Two Year	Two Year	Two Year	Two Year
	HVR	Not Permitted		Two Year	Two Year	Two Year
	NSC	Same Year	Same Year		Two Year	Not Required
	SAC	Same Year	Same Year	Two Year		Not Required
	MV/RP	Same Year	Same Year	Not Required	Not Required	