

TAXATION (REVENUE LAW) CASE NOTES



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Sample

Ronpibon Tin NL v FCT (1949) 78 CLR 47

- Court details

Full Court of the High Court of Australia.¹

- Procedural history

Chief Justice Latham was hearing this case in the High Court. The Chief Justice, at the joint request of the parties, took steps to have the question which the appeals raise submitted for the decision of the Full Court of the High Court.²

- Facts

Ronpibon Tin NL carried on a business of tin mining in Thailand and Malaysia. Their income was exempt under former tax provisions. The mine was overrun (by enemy forces) in 1942 during the Second World War.³

The company also derived income from investments. The company continued to incur expenses following the loss of the mines (these were in the form of management and director fees, audit and admin fees). These amounts were previously allowed as deductions (pre-loss of the mine) and when the mine was overrun they continued to seek deductions for these amounts and offset them against investment income.⁴

The taxpayer derived income from foreign sources and Australian sources, and apportioned expenses between assessable income and exempt foreign-source income. The taxpayer claimed that there was no reason for it to apportion head office expenses.⁵

¹ *Ronpibon Tin NL v FCT* (1949) 78 CLR 47.

² *Ibid.*

³ *Ibid.*

⁴ *Ibid.*

⁵ *Ibid.*

- Issues

The case considered the issue of allowable deductions and whether or not a company that had ceased mining operations indefinitely due to the Second World War could claim expenses that were related to this activity and were not solely related to its current activity which was investment related.⁶

The question was whether the Taxation Commissioner, when assessing the taxpayer's income tax, acted rightly in disallowing in whole or in part the deduction claimed.⁷

The answer to this question depends primarily on s. 51(1) of the *Income Tax Assessment Act 1936*.⁸

- Reasoning / Decision (commentary)

The High Court held that:

- Amounts related to mining matters were affairs of capital and not deductible
- There was no guarantee that the mines would produce income again. The percentage of administrative costs that were deductible were remitted to the trial judge for determination (ultimately some were remitted).⁹

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6 Ibid.

7 Ibid.

8 Ibid.

9 Ibid.