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Livestock and other assets

Special rules for deductions that apply to livestock and to certain other types of assets and capital expenditure.

Valuing livestock

How to value your livestock at the end of each year to determine your net income from primary production.

Depreciating assets

There are special rules to work out the decline in value of certain depreciating assets.

Deductions and offsets for capital expenditure

Primary producers and other landholders can claim specific deductions for certain capital expenditure.

Water and carbon sequestration rights

Water and carbon sequestration rights are capital gains tax (CGT) assets.

Valuing livestock

How to value your livestock at the end of each year to determine your net income from primary production.

Last updated 27 May 2026

How to value livestock

You can choose to value livestock at cost, market-selling value or replacement value. An additional option is available for certain horse breeding stock.

You may change the basis of valuation year by year. You may also use different valuation methods for different stock in the same year. However, the value of your opening livestock (at 1 July) each year must be the same as the value of your closing stock (at 30 June) for the previous year. That is, you must use the same valuation method at the beginning of the new income year as you used at the end of the previous income year.

Small businesses – simplified trading stock rules

You do not have to value each item of trading stock (including livestock) on hand at the end of the income year or account for changes in the value of your trading stock if:

- you are a small business entity
- the difference between the value of all your trading stock at the start of the income year and the value you reasonably estimate of all your trading stock at the end of the income year is $5,000 or less.

However, if you prefer, you can still conduct a stocktake and account for changes in the value of trading stock for the income year if the difference is $5,000 or less.

For more information, see Simplified trading stock rules.

Goods taken from stock for private use

If you take goods from stock for your own use, or for the use of your family members, you need to account for the goods as if the stock had been disposed of at its cost. This means that the market value of the stock on the day of disposal will be included in your assessable income.

This includes where a grazier slaughters livestock for personal consumption or for rations for employees.

For more information, see Using trading stock for private purposes.

Natural increase

The cost of an animal you hold as livestock that you acquired by natural increase is whichever of these you choose:

- actual cost of the animal
- cost prescribed by the regulations
  - cattle, horses and deer – $20
  - pigs – $12
  - emus – $8
  - goats and sheep – $4
  - poultry – 35 cents.

A horse's livestock cost will be the greater of the above or the insemination service fee.

Oyster farmers

Oyster farmers need to account for oysters on hand as trading stock. This includes oysters held on sticks or in trays, or harvested and held ready for sale.

For more information, see Oyster farmers: calculating the value of trading stock.

Beekeepers

If you are operating a beekeeping business for the purpose of honey production, you need to account for bees on hand as trading stock.

You may be eligible to use a simplified practice of valuing a live hive rather than accounting for the individual bees.

For more information, see Beekeepers: calculating the value of trading stock.

Oyster farmers: calculating the value of trading stock

Use the 'per stick' method to calculate the value of trading stock at the end of each income year.

Beekeepers: calculating the value of trading stock

Beekeepers need to assign a value to their bees (livestock) at the beginning and end of each financial year.

QC 42310

Oyster farmers: calculating the value of trading stock

Use the 'per stick' method to calculate the value of trading stock at the end of each income year.

Last updated 22 August 2025

All oyster farmers must account for oysters on hand as trading stock. This includes oysters held on sticks or in trays, or harvested and held ready for sale.

You can choose to value your trading stock on hand at the end of the income year at cost, market selling value or replacement value.

If you use the traditional stick farming method, you must bring to account as trading stock the oysters you acquired as spat that are still on hand at the end of an income year.

To make it easier to meet your tax obligations, you can use the 'per stick' method to calculate the value of trading stock at the end of each income year.

Alternatively, you can use the simplified trading stock rules for small businesses if you meet both the following conditions:

- You either
  - are a small business with an aggregated turnover of less than $10 million a year
  - would be a small business except your aggregated turnover is $10 million or more but less than $50 million.
- You estimate that the value of your trading stock changed by less than $5,000 in the year.

If you use the simplified rules, you don't have to:

- conduct a formal stocktake
- account for the changes in your trading stock's value.

The 'per stick' farming method of valuation

To be eligible to use the 'per stick' farming method of valuation, you will need to meet the following requirements:

- you carry on a business of oyster farming
- the oysters are for human consumption – for example, not pearling oysters
- you use the traditional stick farming method - that is, catching oysters as spat by placing wooden sticks or plastic slats in the water.

This valuation method is still allowable if you caught the spat by the traditional method, knocked the oysters off the sticks and placed them into trays or baskets (or some other container) in the water to continue to grow.

Oyster trading stock that has been harvested, or is acquired by any other means can't be accounted for using the per stick method. If you have not previously accounted for trading stock or used the per stick method, talk to your tax professional or contact us for advice.

How to value your trading stock

The following steps show you how to calculate your trading stock under the 'per stick' method:

1. Count the number of wooden sticks and plastic slats in each of the following categories
    - Count the wooden sticks that were in use at the end of the income year to capture spat. Add to that the number of wooden sticks that are no longer in use but were used to capture oysters that are still on hand at the end of the income year. If any sticks were used more than once to capture stock on hand, count each re-use as another stick for the purposes of this count.
    - Count the one-metre plastic slats that were in use at the end of the income year to capture spat. Add to that the number of one-metre plastic slats that are no longer in use but were used to capture oysters that are still on hand at the end of the income year. If any one-metre plastic slats were used more than once to capture stock on hand, count each re-use as another one-metre plastic slat for the purposes of this count.
    - Count the two-metre plastic slats that were in use at the end of the income year to capture spat. Add to that the number of two-metre plastic slats that are no longer in use but were used to capture oysters that are still on hand at the end of the income year. If any two-metre plastic slats were used more than once to capture stock on hand, count each re-use as another two-metre slat for the purposes of this count.
2. Multiply by $1.00 the number of wooden sticks and two-metre plastic slats counted by the above method to capture the trading stock on hand at the end of the income year.
3. Multiply by $0.50 the number of one-metre plastic slats counted by the above method to capture the trading stock on hand at the end of the income year.
4. Add together the amounts calculated by steps 2 and 3. This will provide the value of oysters to be included as stock on hand at the end of the income year.

Example: Calculating trading stock using 'per stick' method

Robert is an oyster farmer who is eligible to use the 'per stick' method of valuation.

At the end of the income year, Robert had only wooden sticks and one-metre plastic slats in the water to capture oyster spat, as well as oysters in trays at various stages of maturity in the water.

Step 1

Robert had 3,000 wooden sticks in the water at 30 June 2015 at the end of the financial year, and estimates that the oysters currently in the trays were captured using 6,000 wooden sticks this income year. Robert does not re-use any of his wooden sticks.

Therefore, the total number of wooden sticks used this income year to acquire the stock is 9,000.

Robert calculates that he had 2,000 one-metre plastic slats in the water at the end of the financial year, and the oysters in the trays were captured using 1,000 of the plastic slats (that are currently in the water being re-used) and another 1,000 plastic slats that were each used twice.

Therefore, Robert used a total of 5,000 one-metre plastic slats this financial year. Robert does not use any plastic slats that are two metres long.

Step 2

The number of wooden sticks used is 9,000. Therefore, the result of step 2 is $9,000.

Step 3

The 5,000 one-metre plastic slats from step 1 are multiplied by $0.50 to give $2,500.

Step 4

The result of steps 2 and 3 are added together ($9,000 + $2,500 = $11,500).

This means that the value of Robert's trading stock at the end of the income year is $11,500.

For more information, see PS LA 2006/3 (GA) *Trading stock: oyster farmers using the stick farming method*.

Simplified trading stock rules for small businesses

Under the simplified trading stock rules, you do not have to account for changes in the value of your trading stock, or do stocktakes for tax purposes, if the difference between the value of your opening stock and a reasonable estimate of your closing stock is $5,000 or less.

You may still choose to conduct a stocktake and account for changes in the value of your trading stock.

Example: Value of stock is under $5,000

Joe is an oyster farmer and is a small business entity. The value of his stock on hand at the beginning of the income year is $4,000 and he estimates that the value of stock on hand at the end of the income year is $5,000.

The difference between the value of stock on hand at the beginning of the income year and a reasonable estimate of the value of stock on hand at the end of the income year is $1,000. Since this difference is $5,000 or less, Joe does not need to work out the actual value of stock on hand or account for the change in value when he works out his assessable income.

QC 16675

Beekeepers: calculating the value of trading stock

Beekeepers need to assign a value to their bees (livestock) at the beginning and end of each financial year.

Last updated 22 August 2025

Most businesses with trading livestock must calculate the difference between the opening value and the closing value of their trading livestock and include this amount as assessable income in their income tax return.

How to value bees

You can use a simplified practice of valuing a 'live hive' rather than accounting for the individual bees.

The 3 methods you can use to value a live hive are:

- cost
- market-selling value
- replacement value.

For more information, see:

- TD 2008/26 *Income tax: are bees kept for use in a honey production business trading stock?*
- PS LA 2008/4 (GA) *Trading stock: valuing bees in honey businesses* for guidance in calculating the value of your live hive.

Assessable income

When the value of your closing stock is greater than the value of opening stock, you must include the difference in your assessable income.

For example, if a business opens the year with $10,000 of livestock and closes the year with $18,000 of livestock, they would have had an increase in $8,000 worth of livestock. The $8,000 is included in their assessable income for the year.

Simplified trading stock rules for small businesses

Small business entities can use the simplified trading stock rules if they carry on a business or are a business with an aggregated

turnover of less than $50 million.

Broadly, aggregated turnover is your annual turnover plus the annual turnovers of any entities you are connected to or affiliated with.

Under the simplified trading stock rules, you do not have to account for changes in the value of your trading stock or do stocktakes for tax purposes if the difference between the value of your opening stock and a reasonable estimate of your closing stock is $5,000 or less.

QC 21450

Depreciating assets

There are special rules to work out the decline in value of certain depreciating assets.

Last updated 22 August 2025

A depreciating asset is an asset that has a limited effective life and can reasonably be expected to decline in value (depreciate) over the time it is used. Some assets, such as land and trading stock, are not depreciating assets.

The general depreciation principles apply to most depreciating assets used in primary production. However, the deduction for the following primary production depreciating assets is worked out using special rules for:

- water facilities used to conserve or convey water
- fencing
- fodder storage assets
- horticultural plants
- grapevines

For more information, see Guide to depreciating assets.

Water facilities

As a primary producer or irrigation water provider, you can claim an immediate deduction for certain expenses you incur primarily and principally for conserving or conveying water for use in a primary production business on land in Australia. You can claim the deduction even if you are only a lessee of the land.

A water facility includes plant or a structural improvement, or an alteration, addition or extension to plant or a structural improvement, that is primarily and principally for the purpose of conserving or conveying water.

Water facilities include:

- dams
- tanks
- bores
- irrigation channels
- pumps
- water towers
- windmills.

No deduction is available for expenses incurred on acquiring a second-hand commercial water facility unless you can show that no-one else has deducted or could deduct an amount of the earlier expense on the construction or previous acquisition of the water facility.

See Water facilities for definitions and how to claim deductions.

Fencing

As a primary producer you can claim an immediate deduction for the cost of fencing you incur primarily and principally for use in a primary production business on land in Australia. You can claim the deduction even if you are only a lessee of the land.

See Fencing and fodder storage assets for definitions and how to claim deductions.

Fodder storage assets

You can claim a deduction for the full cost of a fodder storage asset, if you:

- incurred the expense
- mainly use it to store fodder
- use it in a primary production business on land in Australia – even if you are only a lessee of the land.

Claim the deduction through your tax return in the year you incurred the expense.

Fodder storage assets include:

- silos
- liquid feed supplement storage tanks
- bins for storing dried grain
- hay sheds
- grain storage sheds
- above-ground bunkers.

See Fencing and fodder storage assets for definitions and how to claim deductions.

Horticultural plants

A horticultural plant is a live plant or fungus that is cultivated or propagated for any of its products or parts.

You can claim a deduction for the depreciation of horticultural plants, provided:

- you own the plants (lessees and licensees of land are treated as if they own the horticultural plants on that land)
- you use the plants in a business of horticulture to produce assessable income

Your deduction for the depreciation of horticultural plants is based on the expense incurred in establishing the plants. This does not include the cost of purchasing or leasing land, or expenses on draining swamp or low-lying land or on clearing the land. It would include, for example:

- the costs of acquiring and planting the seeds

- part of the cost of ploughing, contouring, fertilising, stone removal and topsoil enhancement relating to the planting.

You can't claim this deduction for trees used in carbon sink forests.

For more information, see Calculating the decline in value of horticultural plants.

Grapevines

If you planted and first used grapevines in your primary production business, the depreciation of the grapevines is worked out under the general rules relating to horticultural plants.

For more information, see Calculating the decline in value of grapevines.

Water facilities

Deductions for investing in water facilities can be claimed by primary producers and irrigation water providers.

Fencing and fodder storage assets

Primary producers can claim an immediate deduction for capital expenses on fencing and fodder storage assets.

Calculating the decline in value of horticultural plants

You can claim a deduction for the decline in value of horticultural plants you own and use in a horticulture business.

Calculating the decline in value of grapevines

How to work out the decline in value of grapevines planted and first used by you in a primary production business.

QC 42312

Water facilities

Deductions for investing in water facilities can be claimed by primary producers and irrigation water providers.

Last updated 4 February 2026

Water facility

A water facility is plant or a structural improvement, or an alteration, addition or extension to plant or a structural improvement that is primarily and principally used to conserve or convey water.

You can't claim a deduction for a swimming pool even though the water is available for emergency use, such as for fire-fighting or irrigation.

Water facilities include:

- dams, earth and underground tanks
- concrete, plastic and metal tanks and tank stands
- bores and wells
- irrigation channels and similar improvements
- pipes and pumps (including those used for fire-fighting)
- water towers and windmills
- extensions and improvements to any of these items.

Eligible expenditure on a water facility also includes:

- capital repairs to plant or structural improvements which are primarily for the purpose of conserving or conveying water
- a new structural improvement, or an alteration, addition, extension or capital repair to an existing structural improvement, that is

reasonably incidental to conserving or conveying water. Examples include a

- culvert
- fence to prevent livestock entering an irrigation channel
- bridge over an irrigation channel.

Irrigation water provider

An irrigation water provider primarily and principally supplies water to primary producers or to businesses using rural land (except for a mining or quarrying business). Water suppliers who use motor vehicles (for example, water tankers) are not considered irrigation water providers.

The deduction amount you can claim

Primary producers and irrigation water providers can immediately deduct eligible costs of water facilities.

If you incurred capital expenditure on a water facility, deduct the **whole amount** in the income year in which the expenditure occurred.

Your deduction must be **reduced** to reflect any time when the facility was **not** wholly used for a taxable purpose.

However, special rules apply where you have incurred expenditure on water facilities in connection with payments received from the Sustainable rural water use and infrastructure program (Sustainable rural water use and infrastructure program (SRWUIP). You must disregard any expenditure that you can't deduct where you have received a non-assessable non-exempt (NANE) payment in connection with that program.

If the costs were incurred by a partnership, a partner can only claim the deduction for their share of the expenditure.

Recouped expense

Any expense you recoup is included in your assessable income.

Second-hand assets

If the water facility is a second-hand asset, special rules apply.

If you are a primary producer who is a small business entity, you may choose to use the small business simplified depreciation rules to claim a deduction for eligible depreciation of a second-hand water facility.

A deduction for the depreciation of a second-hand water facility may also be available if you can prove that no one else has or can deduct an amount for the asset's depreciation.

If you aren't eligible to claim a deduction for the second-hand asset under either the primary production or small business rules, you can't claim a deduction for the asset.

If you sell an asset

If you sell an asset for which you can claim a deduction, and the buyer uses the asset wholly to produce assessable income, you can continue to claim the deduction. This includes any deduction you would be entitled to claim in subsequent years.

However, if the buyer does not use the asset to produce assessable income you must apportion your deduction. Examples would include where the buyer used the asset on a hobby farm or for domestic purposes or if you sell it to a dealer.

Proceeds of the sale

If you sell an asset, you can claim a deduction under the primary production accelerated depreciation rules. The proceeds of the sale are assessable as a capital gain.

You must exclude any amount claimed as a deduction from the cost base of the asset for capital gains tax purposes.

QC 17794

Fencing and fodder storage assets

Primary producers can claim an immediate deduction for capital expenses on fencing and fodder storage assets.

Last updated 22 August 2025

Fence and fencing asset

The term 'fence' has the ordinary meaning. It includes an enclosure or barrier, usually made of metal or wood, around or along a field or paddock.

A fencing asset extends to parts or components of a fence including:

- posts
- rails
- wire
- droppers
- gates
- fittings
- anchor assemblies.

A fencing asset includes a structural improvement, a repair of a capital nature, or an alteration, addition or extension, to a fence.

Fodder and fodder storage asset

A fodder storage asset is an asset that is primarily and principally for the purpose of storing fodder.

A fodder storage asset includes a structural improvement, a repair of a capital nature, or an alteration, addition or extension, to an asset or structural improvement, that is a fodder storage asset.

Fodder

Fodder refers to food for livestock, such as grain, hay or silage. It can include liquid feed and supplements, or any feed that could fit into the ordinary meaning of fodder.

'Primarily and principally' test

For a fodder storage asset to satisfy the 'primarily and principally for the purpose of' test, its main purpose must be to store fodder.

Example: 'primarily and principally for the purpose of' test

John built a shed for the purpose of storing hay but occasionally uses it to store his neighbour's tractor. This would still meet the 'primarily and principally' test because its main purpose is to store fodder.

Donna, who is a cotton farmer, buys a silo to store seed. The seed is for sowing, not for animal consumption. This silo does not meet the 'primarily and principally' test. This is because the main purpose of the silo is not to store fodder.

Greg is a grain farmer. He buys a silo to store a harvest that is designed for human consumption. This silo does not meet the 'primarily and principally' test. This is because the main purpose of the silo is not to store fodder. This is the case even if Greg ended up using the whole harvest to feed his livestock.

However, if Greg were a grain farmer who grew feed grain and stored it in a silo for sale to livestock producers, the silo would meet the 'primarily and principally' test because the main purpose of the silo is to store fodder.

If you incur an expense for several purposes, you need to examine the primary and principal function of what is produced by incurring the expense.

For dual purpose assets with integrated, but separate, functions, the primary and principal purpose of the asset must be to store fodder. For example, if you use an asset for both storing fodder and feeding animals, the animal-feeding component must be merely incidental to the asset's primary and principal purpose of storing fodder. It will not meet the requirements of a fodder storage asset if its primary and principal purpose is for feeding animals.

Typical fodder storage assets

Typical examples of fodder storage assets include:

- silos
- liquid feed supplement storage tanks
- bins for storing dried grain

- hay sheds
- grain storage sheds
- above-ground bunkers.

Find out about:

- Deduction limits
- Who can't claim under these provisions
- Amounts you can deduct
- Recouped expense
- Second-hand assets
- If you sell an asset

Deduction limits

Your deduction is limited to the capital expenses you incur for:

- construction
- manufacture
- installation
- acquisition.

The expense must have been incurred primarily and principally for use in a primary production business conducted on land in Australia.

Who can't claim under these provisions

You can't claim a deduction for fencing and fodder storage assets under these provisions unless you're a primary producer. However, you can still claim deductions when you use fencing and fodder storage assets to produce income. You can claim a fence as capital works and fodder storage assets as either a capital work or depreciating asset.

Amounts you can deduct

These deductions are not available to a partnership. If the costs were incurred by a partnership, each partner can only claim the deduction

for their respective share of the expenditure.

You must reduce your deduction if the asset was not wholly used to carry on a primary production business or for a taxable purpose.

Recouped expense

Any expense you recoup is included in your assessable income.

Second-hand assets

If the asset is a second-hand asset, the following rules apply for:

- Depreciation
- Claiming under other provisions

Depreciation

You can't claim a deduction for the depreciation of a second-hand fencing or fodder storage asset under the primary production accelerated depreciation rules, unless you can prove that no one else has deducted (or can deduct) an amount for the asset under these rules.

Claiming under other provisions

Primary producers who are considered a small business entity may choose to use the small business simplified depreciation rules to claim a deduction for a second-hand fencing asset or fodder storage asset.

If you aren't a small business entity and believe you are eligible to claim for second-hand items, including components in otherwise new items, you should apply for a private ruling.

If you aren't eligible to claim a deduction for the second-hand asset under either the primary production or small business rules, you can't claim a deduction for the asset at all.

If you sell an asset in the same year you purchased it

If you sell an asset in the same year you bought and claimed a deduction for it and the buyer uses the asset wholly to produce

assessable income, you can continue to claim that deduction in the year it was incurred.

However, if the buyer does not use the asset to produce assessable income you must apportion your deduction. Examples would include where the buyer uses the asset on a hobby farm or for domestic purposes or if you sell it to a dealer.

Proceeds of the sale

If you sell an asset for which you have deducted (or can deduct) an amount under the primary production accelerated depreciation rules, the proceeds of the sale are assessable as a capital gain.

The cost base of the asset for capital gains tax purposes does not include any amount that you deducted (or can deduct) under those rules.

QC 47131

Calculating the decline in value of horticultural plants

You can claim a deduction for the decline in value of horticultural plants you own and use in a horticulture business.

Last updated 17 November 2025

You can claim a deduction for the decline in value of horticultural plants, provided:

- you own the plants – lessees and licensees of land are treated as if they own the horticultural plants on that land
- you use them or held ready for use in a business of horticulture to produce assessable income
- the total amount of the deductions does not exceed the amount of capital expenditure incurred on the plant.

These deductions are not available to a partnership. Costs incurred by a partnership in establishing horticultural plants are deductible by each partner who can then apportion their share of the expenditure.

Capital expenditure

Your deduction for the decline in value of horticultural plants is based on the capital expenditure incurred in establishing the plants. This deduction doesn't include the cost of purchasing or leasing land, or expenditure on draining swamp or low-lying land or on clearing the land.

It would include, for example:

- the costs of acquiring and planting the seeds
- part of the cost of ploughing, contouring, fertilising, stone removal and topsoil enhancement relating to the planting.

If the expenditure incurred arises from a non-arm's length dealing and is more than the market value of what the expenditure was for, the amount of the expenditure is taken to be that market value.

If you incur expenses on revenue account to establish horticultural plants, you can claim immediate deduction under general deduction provision.

For more information, see:

- Calculating the decline in value of grapevines.
- Guide to depreciating assets.
- Taxation Determination TD 2006/46 *Income tax: what amounts are included in 'establishment expenditure' for the purposes of working out the decline in value of a horticultural plant under section 40-545 of the Income Tax Assessment Act 1997?*

Effective life

The period over which you can deduct the expenditure depends on the effective life of the horticultural plant. You can choose to work out the effective life yourself or you can use the effective life we have determined.

If the effective life of the plants is less than 3 years, you can claim the establishment costs in full, generally in the year in which the products or parts of the plant are first able to be harvested and sold commercially (first commercial season). If another person acquires the plant in the following year, no further decline in value of the plant can be claimed.

If the effective life of the plants is 3 or more years, you can write off the establishment costs over the maximum write-off period, which generally commences at the start of what is expected to be the plants' first commercial season. If the plants are destroyed before the end of their effective life, you are allowed a deduction in that year for the remaining unclaimed expenses less any proceeds – for example, insurance.

For more information, see LI 2025/20 *Income Tax Assessment (Effective Life of Depreciating Assets) Determination 2025 (applicable from 16 September 2025)*.

Annual write-off rate and period for plants with effective life of 3 years or more

Plants with effective life of 3 or more years	Annual write-off rate	Maximum write-off period
3 to less than 5 years	40%	2 years and 183 days
5 to less than 6 and two-third years	27%	3 years and 257 days
6 and two-third to less than 10 years	20%	5 years
10 to less than 13 years	17%	5 years and 323 days
13 to less than 30 years	13%	7 years and 253 days
30 years or more	7%	14 years and 105 days

Change in ownership

If the effective life of the plants is 3 or more years, when ownership of the horticultural plants changes, the new owner is entitled to continue claiming the balance of capital expenditure incurred on establishing the plants on the same basis.

Small business entities

If you are a primary producer and a small business entity, you must use the uniform capital allowance rules to work out your deductions for horticultural plants.

Recouped expenditure

Any expenditure recouped is assessable income. Where the expenditure is deductible over more than one income year, special rules apply to determine the amount of any recoupment to be included in assessable income in the year of recoupment and later income years.

QC 16962

Calculating the decline in value of grapevines

How to work out the decline in value of grapevines planted and first used by you in a primary production business.

Last updated 22 August 2025

If a grapevine is planted and first used by you in a primary production business, the decline in value of the grapevine is worked out under the provisions relating to horticultural plants.

These deductions are not available to a partnership. Costs incurred by a partnership in establishing grapevines are deductible by each partner who can apportion their share of the expenditure.

Deductions for the decline in value of a grapevine can only be claimed from the income year in which the grapevine's first commercial season starts, not when it is first planted.

Capital expenditure

There are common provisions relating to the establishment of horticultural plants (which include grapevines). Your deduction for the decline in value of grapevines is based on the capital expenditure incurred in establishing the grapevines.

You can't claim a deduction for the cost of:

- purchasing or leasing land
- draining swamps or low-lying land
- clearing land.

You can claim a deduction for the cost of:

- preparing the land – ploughing, contouring, fertilising, stone removal and topsoil enhancement
- planting the vines
- buying the vines.

If a grapevine is destroyed before the end of its effective life, you are allowed a deduction in that year for the remaining unclaimed expenses, less any proceeds (for example, insurance).

Effective life

The decline in value of a grapevine is based on the effective life of the grapevine.

The Commissioner has determined effective lives for grapevines as follows:

- dried grapes – 15 years
- table grapes – 15 years
- wine grapes – 20 years.

There are 2 ways to work out the annual write off rate:

- Use an annual write-off rate of 13% for a horticultural plant with an effective life of 13 years to fewer than 30 years, for a maximum write-off period of 7 years and 253 days.
- Estimate your own effective life for your grapevines.

Changes in ownership

When ownership of the grapevines changes, the new owner is entitled to continue claiming the balance of the capital expenditure incurred in establishing the grapevines on the same basis, while they use the grapevines in a primary production business.

Small business entities

If you are a primary producer and a small business entity, you must use the uniform capital allowance rules to work out your deductions for horticultural plants.

Recouped expenditure

Any recoupment of the expenditure is assessable income. Where the expenditure is deductible over more than one income year, special rules apply to determine the amount of any recoupment to be included in your assessable income in the year of recoupment and later income years.

QC 16961

Deductions and offsets for capital expenditure

Primary producers and other landholders can claim specific deductions for certain capital expenditure.

Last updated 22 August 2025

Electricity and phone connections

You can claim a deduction in equal instalments over 10 years for capital expenditure incurred:

- connecting mains electricity, or upgrading an existing connection, to land on which you conduct a primary production business
- on a telephone line on, or extending to, land on which you conduct a primary production business.

The capital expenditure may be incurred on a depreciating asset using simplified depreciation rules or the uniform capital allowance system (UCA). See the Guide to depreciating assets.

These deductions are not available to a partnership. Instead, each partner must apportion and claim their share of the expense.

Any recoupments will be treated as assessable income in the year they are received.

Landcare

You can claim a deduction for capital expenditure you incur on a landcare operation in Australia, if you are:

- a primary producer
- a business using rural land, except for mining or quarrying
- a rural land irrigation water provider.

You may claim the deduction even if you are only a lessee of the land.

If you are operating a business of establishing trees for the purpose of carbon sequestration (carbon sink forests), you will be eligible for carbon sink forest deductions.

These deductions are not available to a partnership. Instead, each partner must apportion and claim their share of the expense.

Shelterbelts

A shelterbelt is a line of trees or shrubs planted to protect an area from fierce weather.

Shelterbelts can be used to:

- protect crops and livestock
- improve biodiversity
- prevent or fight land degradation – for example, soil erosion or degradation of vegetation.

When you can claim a deduction

If you establish a shelterbelt on land on which you conduct a primary production business, you can claim:

- an immediate deduction for any costs for new fencing and water reticulation (such as, pipes, fittings, sprinklers, pumps and bores)
- a deduction for the costs of site preparation, chemicals and trees – if the shelterbelt is established mainly to prevent or fight land degradation.

If you recoup any of the expenditure that you can claim as a deduction (for example, under a government assistance program), you need to include that amount in your assessable income.

When you can't claim a deduction

You can't claim a deduction for:

- a shelterbelt created for a private purpose, such as to protect a home
- site preparation or tree planting costs if the shelterbelt is not established mainly to prevent or fight land degradation. The trees are not considered depreciating assets.

You need to include these costs as part of the cost base of the land for capital gains tax purposes.

Fire preparedness and prevention

If you are carrying on a primary production business on land in Australia, you can claim a deduction for capital expenditure you incur relating to fire emergency preparedness and prevention activities and assets on your primary production land.

You can't claim a deduction for fire preparedness and prevention expenses that are private in nature (for example, expenses related to protecting your private residence).

When you can claim a deduction

You can claim a deduction for decline in value (depreciation) for the cost of the following assets based on their effective life:

- fire extinguishers
- fire shields made of non-combustible materials to protect water tanks and electrics on sheds
- wind breaks of permanent materials like rocks and iron (where they have a limited effective life and can reasonably be expected to decline in value).

When you can't claim a deduction

You can't claim a deduction for the following capital costs:

- The cost of wind breaks of permanent materials like rocks and iron that do not have a limited effective life (and can be economically maintained for an indefinite period).
- The initial costs of creating fire breaks.

However, you can add them to the cost base of the land for capital gains tax purposes (this will reduce your capital gain if you sell the land).

Other expenses you can claim

You can claim a deduction for:

- personal protective items such as goggles, gloves and fire trousers (but not conventional clothing)
- low value capital items that cost up to $100 each (such as hand tools)
- ongoing fire break maintenance (after the initial fire break is cleared)
- the cost of recharging fire extinguishers.

- For more information, see our fact sheet – Prevent and prepare for fire emergencies – expenses (PDF, 262KB).

Landcare operations

Primary producers may be able to claim a deduction for capital expenditure on landcare operations.

QC 42313

Landcare operations

Primary producers may be able to claim a deduction for capital expenditure on landcare operations.

Last updated 27 May 2026

Overview

You can claim a deduction for capital expenses on a landcare operation for land in Australia if you're:

- a primary producer
- a business using rural land for a taxable purpose (except when mining or quarrying)
- an irrigation water provider.

Your deduction will be reduced if you use the land for a non-taxable purpose, such as your home.

For more information on landcare, see:

- Landcare and riparian maintenance – expenses (PDF, 299KB)
- Landcare on the Department of Agriculture, Fisheries and Forestry website.

Definitions

Landcare operations

A landcare operation is any one of the following:

- Primarily and principally
  - eradicating or exterminating animal pests from the land
  - eradicating, exterminating or destroying plant growth detrimental to the land
  - preventing or combating land degradation (other than by using fences)
  - erecting fences to keep animals out of areas affected by land degradation to prevent or limit the extension or worsening of land degradation in the area and to help reclaim the area
  - constructing drainage works to control salinity or assist in drainage control.
- Erecting fences to separate different land classes in accordance with an approved land management plan.
- Constructing a levee or similar improvement.
- A structural improvement, or altering, adding, extending or repairing a structural improvement, that is reasonably incidental to the construction of a levee or drainage works.

Irrigation water provider

An irrigation water provider primarily and principally supplies water to primary producers or to businesses using rural land (except for a mining or quarrying business).

Water suppliers who use motor vehicles (for example, water tankers) are not considered irrigation water providers.

Approved land management plan

An approved land management plan:

- shows the different classes within the land and the location of any fencing needed to separate any of the land classes to prevent land degradation

- describes the kind of fencing and how it will prevent land degradation
- has been prepared, and approved in writing, as a suitable plan by an
  - authorised officer of a state or territory land conservation agency
  - approved farm consultant – contact the Department of Agriculture, Fisheries and Forestry for more information.

You can also find out more about landcare tax benefits.

Claiming deductions

Recouped expenditure

If you recoup any of the money that you have claimed a landcare operations deduction for, you must include it in your assessable income.

Expenditure on plant

You can only claim a deduction under the landcare provisions for capital expenditure on plant if it is on certain fences, dams or other structural improvements as defined in landcare operations.

If you can't claim a deduction under the landcare provisions, you can work out the decline in value using the general rules for depreciating assets.

Partnership expenditure

If the costs were incurred by a partnership, a partner can only claim the deduction for their share of the expenditure.

QC 17793

Water and carbon sequestration rights

Water and carbon sequestration rights are capital gains tax (CGT) assets.

Last updated 22 August 2025

Tradeable water rights

Water rights, such as licences and water allocations, are capital gains tax (CGT) assets. The:

- permanent trade of a water right is a disposal of a CGT asset
- temporary trade of a water right is a CGT event.

Exactly which type of CGT event the trade represents will depend on the facts of each case. You should seek advice from a tax professional. For more information, see Water entitlement reduction or replacement – CGT rollover.

The income tax consequences of trading a water right will depends on your particular circumstances. If you are uncertain, request a private ruling on how the tax laws apply to your situation.

Carbon sequestration rights

Farmers and other landowners may manage or plant forests to participate in carbon sequestration activities. These activities which contribute to greenhouse gas abatement are enabled by state legislation, and are governed by rules under relevant state legislation, regulations and rules.

A carbon sequestration right is a CGT asset. There are CGT consequences of trading in carbon sequestration rights, which will depend on the facts and the manner in which your trade is carried out. For example, selling a carbon sequestration right to another entity before the end of a contract will trigger a CGT event as the sale will result in a change of ownership.

A carbon sequestration right, as defined in NSW legislation, is considered to be inherently connected with a primary producer's land and can be an active asset. Therefore, any capital gain made by a primary producer from the granting of that right may qualify for the small business CGT concessions if the conditions for those concessions are satisfied.

If you dispose of Australian Carbon Credit Units (ACCU) as opposed to carbon sequestration rights, you should be aware the income produced from it is not treated as a capital gain and is assessable under Division 420 of the *Income Tax Assessment Act 1997*.

Taxation of Australian carbon credit units for primary producers

Work out tax for primary producers receiving Australian carbon credit units (ACCUs) from carbon reduction activities.

QC 42314

Taxation of Australian carbon credit units for primary producers

Work out tax for primary producers receiving Australian carbon credit units (ACCUs) from carbon reduction activities.

Last updated 22 August 2025

Australian carbon credit units

Australian carbon credit units (ACCUs) are issued by the Clean Energy Regulator (CER) for carbon abatement activities (eligible offsets projects). This is as part of the Australian Government's Emissions Reduction Fund.

ACCUs may be issued to primary producers under the *Carbon Credits (Carbon Farming Initiative) Act 2011* for eligible offsets projects. They may also be acquired from a third party such as a carbon credit service provider that holds such units.

You are taken to hold the unit from the date it is registered in your name.

How ACCUs held by you as a primary producer are taxed will depend on whether you:

- held the ACCU unit before or after 1 July 2022
- are eligible for concessional tax treatment for those ACCUs.

General tax treatment of ACCUs

Where you as a primary producer are not eligible for concessional treatment for ACCUs you hold, the general rules relating to the taxation of ACCUs set out in Division 420 of the *Income Tax Assessment Act 1997* (ITAA 1997) apply. These rules are different to the tax treatment for carbon credits generated and sold under an informal carbon credit scheme (non-registered units).

Under Division 420:

- You can deduct certain costs of becoming the holder of an ACCU in the year you start to hold it.
- If the value of the ACCUs you hold at the end of an income year is more than the value of the ACCUs you held at the beginning of the year, you must include the increase in the value of the ACCUs in your assessable income.
- If the value of the ACCUs you hold at the end of an income year is less than the value of the ACCUs you held at the beginning of the year, you claim a deduction equal to the decrease in value of the ACCUs.
- For the year you first become the holder of the ACCU, you take its value to be nil at the start of the income year.
- Any proceeds received from the disposal of an ACCU is assessable income. It is non-primary production income in the year of disposal. You can deduct costs you incur for ceasing to hold an ACCU in the year of disposal.

Concessional tax treatment for eligible primary producers

If you are an eligible individual primary producer you will receive concessional tax treatment for any:

- eligible ACCUs you start to hold on or after 1 July 2022 as a result of an eligible offsets project associated with your primary production business
- income attributable to eligible ACCUs you receive from a partnership or trust that carries on a primary production business
- eligible ACCUs or eligible income you received from a qualifying arrangement with a carbon service provider.

The concessions are available only to eligible individuals, and the conditions you need to meet depend on whether:

- you are carrying on a primary production business as a sole trader or as a partnership
- you are the beneficiary of a trust that is carrying on a primary production business
- an arrangement with a carbon service provider (CSP) is involved.

If you are an eligible individual primary producer you can access the following concessional tax treatment for your ACCUs:

- For the purposes of the Farm Management Deposit (FMD) Scheme and accessing the income tax averaging rules
  - the proceeds from the sale of eligible ACCUs will be treated as primary production income
  - related deductions for expenses you incur in becoming the holder, holding or disposing of eligible ACCUs will be treated as primary production deductions.
- You are not assessed on the change in value of eligible ACCUs you started hold on or after 1 July 2022 each year. You will only be assessed on the proceeds resulting from the sale of these eligible ACCUs first held on or after 1 July 2022.

When concessional tax treatment is not available

The concessional tax treatment does not apply in working out the taxable income of ineligible entities, including:

- companies (as they do not need the benefit of FMDs or income averaging)
- trusts (the benefit flows through to the beneficiary).

The concessional tax treatment also does not apply to ineligible ACCUs, including units:

- acquired by primary producers prior to 1 July 2022
- purchased from a third party (other than those acquired under an eligible arrangement you have with a carbon service provider)
- issued to primary producers by the Clean Energy Regulator (CER) for projects not connected to their primary production business.

For example, concessional tax treatment is not available for an ACCU disposed of by a primary producer, which is later acquired by a new holder or reacquired by the same primary producer.

All ineligible ACCUs or ineligible entities are subject to the general tax treatment that applies to ACCUs under Division 420.

Eligibility for concessional tax treatment

Tax concessions may be available for:

- Individual primary producers who are sole traders
- Partners in a partnership
- Beneficiaries of trusts

Individual primary producers who are sole traders

An individual primary producer who holds ACCUs may be eligible for concessional tax treatment.

For an ACCU to be eligible for concessional tax treatment, that is, to be considered a primary producer registered emissions unit (PPREU), the units held must meet all the following basic conditions:

- You first hold the ACCU on or after 1 July 2022.
- Either
  - the unit is issued to the you under the *Carbon Credits (Carbon Farming Initiative) Act 2011* in relation to an eligible offsets project, or
  - under an arrangement with a CSP, the ACCU was transferred to you by the CSP and was issued to the CSP under the *Carbon*

Credits (Carbon Farming Initiative) Act 2011 in relation to an eligible offsets project on or after 1 July 2022.

- At all times while the eligible offsets project is carried on, you carried on a primary production business in the same area as the offsets project or in an area connected to where the offsets project is carried on.

Income received by a primary producer under an arrangement with a carbon service provider is discussed below.

Partners in a partnership

Individual partners in a partnership that carries on a business of primary production are eligible for concessions for their share of the partnership income attributable to ACCUs if all the following conditions are met:

- The holding partner(s) first held the ACCU on or after 1 July 2022.
- The partnership is comprised solely of individuals.
- The ACCU is either held in the name of all the partners or held on behalf the partnership by one or more of the partners.
- Either
  - the unit is issued to the holding partner(s) under the *Carbon Credits (Carbon Farming Initiative) Act 2011* in relation to an eligible offsets project, or
  - under an arrangement with a CSP the unit was transferred to the holding partner(s) by the CSP and was issued to the CSP under the *Carbon Credits (Carbon Farming Initiative) Act 2011* in relation to an eligible offsets project on or after 1 July 2022
- At all times while the eligible offsets project is carried on, the partnership carries on a primary production business in the same area as the offsets project or in an area connected to where the offsets project is carried on.

Income received by a partnership carrying on a primary production business under an arrangement with a carbon service provider are discussed below.

See the following examples of eligibility for ACCUs acquired by a primary producer partnership.

Example: ACCUs held on behalf of a partnership

Peter and Paulina run a primary production business in a partnership, breeding goats. They have been undertaking eligible offsets projects on the same land they breed their goats.

On 31 March 2023 they are issued ACCUs by the CER. These ACCUs are held by Paulina as the holding partner. On 30 June 2023 the ACCUs are sold.

Although Paulina held the ACCUs she does so on behalf of the partnership. The share of the partnership's net income from the sale of the ACCUs will be primary production income for both Peter and Paulina in the year of disposal.

Example: ACCUs not held on behalf of a partnership

Peter carries on an eligible offsets project on land he owns separate to the partnership and unrelated to the primary production business he carries on as a partnership. The land is several hundred kilometres away from the land on which the primary production business is carried on by the partnership.

On 1 January 2023, Peter is issued ACCUs relating to this project. Peter sells them on 1 April 2023. Peter had held the ACCUs as an individual and not on behalf of the partnership. The land on which the eligible offsets project was carried on was not land that Peter carried on a primary production business. As such he is not eligible for the concessional treatment of these ACCUs.

Trusts and beneficiaries of trusts

A trust that carries on a primary production business and holds ACCUs is not eligible for concessional tax treatment.

However, individuals who are beneficiaries of a trust that carries on a primary production business and that also carries on an eligible offsets project may be eligible for concessional tax treatment. These beneficiaries can treat their share of the net income of the trust

attributable to the disposal of ACCUs held by the trust as primary production income if both conditions are met:

- You are taken to carry on a primary production business for the purposes of the FMD or income averaging provisions because you are the beneficiary of a trust that is carrying on a primary production business.
- The ACCUs to which the share of the net income of the trust is attributable would have been eligible PPREUs had you started to hold, held and ceased to hold them, instead of the trust. This includes ACCUs transferred to the trust by a CSP and was issued to the CSP under the *Carbon Credits (Carbon Farming Initiative) Act 2011* in relation to an eligible offsets project on or after 1 July 2022.

The trust is not entitled to concessional tax treatment for any ACCUs it holds. As such, the general tax treatment that applies to ACCUs under Division 420 of the ITAA 1997 applies to the trust. That is, the change in value of the ACCU between the beginning and end of the income year must either be:

- included in the trust's assessable income (where the value of the ACCU increases)
- a deduction (where the value of the ACCU decreases).

This is for each income year in which the ACCU is held.

If you are the beneficiary of a trust, you can't treat your share of the net income of the trust attributable to the increase in the value of an ACCU held by a trust as primary production income.

Example: trust income from sale of ACCUs

The Saunderson family sets up a family trust in 2005 – the Saunderson Family Trust. The family trust carries on a primary production business of cattle farming. Bill Saunderson and his 2 children are beneficiaries of the Saunderson Family Trust. The beneficiaries do not personally carry on a primary production business separate to the trust.

The Saunderson Family Trust has been conducting an eligible offsets project on the same land as their farming activities and register this as a project with the CER.

On 1 August 2022, the CER issue the Saunderson Family Trust ACCUs for the eligible offsets project. On 30 May 2023, the Saunderson Family Trust sells the ACCUs.

As beneficiaries of the Saunderson Family Trust, Bill and his 2 children receive distributions from the trust that include proceeds from the sale of the ACCUs.

Bill and his 2 children are eligible to access concessional tax treatment for their share of the net income of the Saunderson Family Trust attributable to the sale of the ACCUs. That is, they can treat it as primary production income for the purpose of the Farm Management Deposit Scheme and income tax averaging rules.

This is because:

- Bill and his children are beneficiaries of the Saunderson Family Trust and are taken to be carrying on a primary production business for the purpose of the income tax averaging rules.
- The ACCUs were first held after 1 July 2022.
- The ACCUs were issued by the CER to the Saunderson Family Trust under the *Carbon Credits (Carbon Farming initiative) Act 2011* as the Saunderson Family Trust conducted an eligible offsets project.

The ACCUs to which the share of the net income of the trust is attributable would have been eligible PPREUs had Bill and his 2 children started to hold, held and ceased to hold them, instead of the trust.

Carbon service providers

A carbon service provider (CSP) is an entity that carries on the business of providing services wholly or mainly relating to eligible offsets projects including carrying out the project as its proponent.

A primary producer may enter an arrangement with a CSP to undertake an eligible offsets project in the area they carry on their primary production business. This may result in the CSP being issued ACCUs and these being then transferred to the primary producer or an amount being paid to them as a result of the arrangement.

Income and deductions in relation to arrangements with CSPs

Income of an eligible primary producer attributable to an arrangement with a CSP will be treated as primary production income and expenditure incurred in relation to the arrangement with the CSP will be treated as a primary production deduction, if:

- the arrangement involves the CSP starting to hold, holding or ceasing to hold an ACCU
- the arrangement with the CSP is not a rental or lease agreement
- the ACCUs, the subject of the arrangement, would have been eligible PPREUs if the primary producer, rather than the CSP, had started to hold, held and ceased to hold the ACCUs.

Example: when ACCUs from a CSP are primary production income

Rhonda runs a pig and sheep farm and is a primary producer. Rhonda enters into an agreement with a carbon service provider, Environment Great, to undertake an eligible offsets project on her land.

Environment Great and Rhonda have an agreement that she will receive 50% of any ACCUs issued to Environment Great as a result of the project, plus 10% of Environment Great's profit on the sale of the remaining units. The agreement is not a lease agreement.

On 1 September 2022, the Clean Energy Regulator issues Environment Great with 300 ACCUs.

On 2 September 2022, Environment Great transfers 150 of the ACCUs to Rhonda. In March 2023, Environment Great disposes its 150 remaining ACCUs. As per the agreement, Environment Great pays Rhonda 10% of its profits on the disposal of the ACCUs.

The 150 ACCUs received by Rhonda are eligible ACCUs and she in entitled to concessional tax treatment on them. Rhonda can also treat the proceeds she received from Environment Great

upon the disposal of the ACCUs they held as primary production income.

Example: when ACCUs from a CSP are not primary production income

Jai is a primary producer who carries on a business of growing grain. Jai enters into a lease agreement with Green Global to lease part of the land on which he grows his crops.

Green Global enters into the agreement so they can undertake an offsets project on this leased land. As part of the lease agreement Jai receives lease income, paid in cash.

The receipt of the lease income from Green Global is not eligible for concessional tax treatment as the arrangement between Jai and Green Global is a lease agreement. This means the income received by Jai is not primary production income.

QC 72901

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