



Status: **legally binding**

Product Ruling

Elders Rural Services Australia Limited – Rural Products Prepayment Program

❗ Relying on this Ruling

This publication (excluding appendix) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

Terms of use of this Ruling

This Ruling has been given on the basis that the entity who applied for the Ruling, and their associates, will abide by strict terms of use. Any failure to comply with the terms of use may lead to the withdrawal of this Ruling.

Changes in the law

Product Rulings were introduced for the purpose of providing certainty about tax consequences for entities in schemes such as this. In keeping with that intention, the Commissioner suggests promoters and advisers ensure that participants are fully informed of any legislative changes after the Ruling has issued. Similarly, entities that are considering participating in the Scheme are advised to confirm with their tax adviser that changes in the law have not affected this Ruling since it was issued.

No guarantee of commercial success

The Commissioner does not sanction or guarantee this product. Further, the Commissioner gives no assurance that the product is commercially viable, that charges are reasonable, appropriate or represent industry norms, or that projected returns will be achieved or are reasonably based.

Potential participants must form their own view about the commercial and financial viability of the product. The Commissioner recommends a financial (or other) adviser be consulted for such information.

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What this Ruling is about

1. This Ruling sets out the income tax consequences for entities that participate as a Customer in the Rural Products Prepayment Program (Program) offered by Elders Rural Services Australia Limited (Elders).
2. All legislative references in this Ruling are to the *Income Tax Assessment Act 1936*, unless otherwise indicated. Terms which are defined in the Rural Products Prepayment Program application form referred to in paragraph 11 of this Ruling have been capitalised.
3. This Ruling does not address:
 - the tax consequences for a Customer that is not a small business entity as defined in section 328-110 of the *Income Tax Assessment Act 1997* (ITAA 1997) or an entity covered by subsection 82KZM(1A)
 - the tax consequences of any fees and charges paid by a Customer for the delivery of the rural products
 - the tax consequences upon application of the Reward (defined in subparagraph 14(b) of this Ruling) against a Customer's purchases of rural products and services
 - the tax consequences of any financial accommodation obtained by a Customer in order to fund the Prepayment
 - the application of the prepaid expenditure provisions under Subdivision H of Division 3 of Part III, other than for section 82KZM
 - the circumstances under which a Customer is entitled to a GST credit for goods and services tax paid under the Program
 - the tax consequences upon any assignment, transfer or sub-licence of a Customer's rights under the Program to another party, and
 - whether this scheme constitutes a financial arrangement for the purposes of Division 230 of the ITAA 1997 (taxation of financial arrangements).

Who this Ruling applies to

4. This Ruling applies to you if you:
 - are accepted to participate in the scheme described in paragraphs 11 to 16 of this Ruling, as a Customer, on or after 1 July 2026 and on or before 30 June 2029
 - use the rural products and services purchased under the Program in carrying on a business for the purpose of gaining or producing assessable income, and
 - are a small business entity as defined in section 328-110 of the ITAA 1997 or an entity covered by subsection 82KZM(1A).
5. This Ruling does not apply to you if you:
 - are accepted to participate in the scheme before 1 July 2026 or after 30 June 2029
 - are not a small business entity as defined in section 328-110 of the ITAA 1997 or an entity covered by subsection 82KZM(1A)

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- participate in the scheme through offers made other than through the Rural Products Prepayment Program application form referred to in paragraph 11 of this Ruling
- do not satisfy an assumption set out in paragraph 10 of this Ruling, or
- are subject to Division 230 of the ITAA 1997 in respect of this scheme.

Requirements of the Superannuation Industry (Supervision) Act 1993

6. This Ruling does not address the provisions of the *Superannuation Industry (Supervision) Act 1993*. We give no assurance that the Scheme is an appropriate investment for a superannuation fund. The trustees of superannuation funds are advised that no consideration has been given in this Ruling as to whether investment in this Scheme may contravene the provisions of the *Superannuation Industry (Supervision) Act 1993*.

Date of effect

7. This Ruling applies from 1 July 2026 to a Customer specified in paragraph 4 of this Ruling that enters into the scheme from 1 July 2026 until 30 June 2029.

8. However, the Ruling only applies and may be relied on to the extent that there is no change in the scheme or in the Customer's involvement in the scheme. If the scheme carried out is materially different from the scheme described at paragraphs 11 to 16 of this Ruling, this Ruling cannot be relied upon and may be withdrawn or modified.

Ruling

9. Subject to paragraph 3 of this Ruling and the assumptions in paragraph 10 of this Ruling:

- (a) The Prepayment paid by a Customer to Elders under the Program is deductible under section 8-1 of the ITAA 1997 in the income year it is paid.¹
- (b) Section 82KZM will not apply to deny a Customer an immediate deduction of the Prepayment incurred under the Program and allowable as a deduction under section 8-1 of the ITAA 1997.
- (c) The anti-avoidance provisions in Part IVA will not be applied to deny the deductibility of the Prepayment incurred under the Program by a Customer.

Assumptions

10. This Ruling is made on the basis of the following necessary assumptions:

- (a) The Customer is an Australian resident for tax purposes.

¹ The extent to which the Prepayment is deductible under section 8-1 of the ITAA 1997 is subject to section 27-5 of the ITAA 1997 which denies a deduction for a loss or outgoing to the extent that it includes an amount relating to a GST credit to which a Customer is entitled.

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- (b) The Customer is a small business entity as defined in section 328-110 of the ITAA 1997 or an entity covered by subsection 82KZM(1A).
- (c) The Customer is carrying on a primary production business with a purpose of producing assessable income in excess of its deductible expenditure, and all rural products and services purchased from Elders under the Program are used in carrying on that business.
- (d) The rural products purchased from Elders by Customers do not constitute trading stock and are not of a capital, private or domestic nature.
- (e) The services purchased from Elders by Customers are not of a capital, private or domestic nature.
- (f) The Customer is not in breach of the Terms of the Program or any other agreement entered into with Elders nor is it insolvent within the definition of section 95A of the *Corporations Act 2001*.
- (g) The Customer has not chosen to apply section 82KZMD to the expenditure incurred under the Program.
- (h) The Prepayment is not 'excluded expenditure' as defined in subsection 82KZL(1).
- (i) The scheme will be executed in the manner described in the Rural Products Prepayment Program application form and in the Scheme section of this Ruling.
- (j) All dealings between the Customer and Elders will be at arm's length.

Scheme

11. The scheme is identified and described in the following:
- application for a product ruling as constituted by documents and information received on 2 April 2026, and
 - the Rural Products Prepayment Program application form, received on 2 April 2026.

Note: certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under freedom of information legislation.

12. For the purposes of describing the scheme, there are no other agreements (whether formal or informal, and whether or not legally enforceable) which a Customer, or any associate of a Customer, will be a party to which are a part of the scheme.

Overview of scheme

13. The Program constitutes an agreement between a customer of Elders and Elders. The Program is, among other things, designed to assist customer cash-flow management

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by enabling them to pay for rural products and services during major agricultural sale periods.

14. Pursuant to the Terms of the Program:

- (a) The Customer makes a payment to Elders referred to as the 'Prepayment'.
The Prepayment
 - (i) shall be a minimum of \$10,000 and is inclusive of goods and services tax
 - (ii) must be used by the Customer for the sole purpose of purchasing rural products and services from Elders during the Program Period, commencing on the date of the Prepayment and ending on the date that is 12 months after the Prepayment
 - (iii) is not refundable to the Customer in whole or in part, and
 - (iv) will be forfeited to Elders if unused by the end of the Program Period.
- (b) The Customer receives a reward based on the unused portion of the Prepayment (Reward). The Reward
 - (i) is applied as a credit on the Customer's Prepayment
 - (ii) is calculated daily by application of a specified rate on the unused portion of the Prepayment, and credited monthly²
 - (iii) must be used only to purchase rural products and services (as described in paragraphs 15 and 16 of this Ruling) from Elders during the Program Period
 - (iv) is not refundable to the Customer in whole or in part, and
 - (v) will be forfeited by the Customer if unused by the end of the Program Period.
- (c) Elders may use any Prepayment made by the Customer, and any Reward added by Elders, as part of the Program to pay any other amounts that are due, owing and payable by the Customer to Elders under any other arrangement that the Customer has entered into with Elders if the Customer is
 - (i) in breach of the Terms of the Program or any other agreement it has entered into with Elders, or
 - (ii) insolvent within the definition of section 95A of the *Corporations Act 2001*.

15. The rural products purchased by the Customer from Elders

- (a) will be as agreed between Elders and the Customer under the Program, including but not limited to, crop protection chemicals, fencing products, animal health products including vaccines and fly control, water products such as tanks and poly pipe, general machinery including pumps and shearing equipment
- (b) will not include livestock, and
- (c) will be governed by Elders conditions of sale.

² As at the date of this Ruling, the rate at which the Reward is calculated is 5.25% per annum. The rate applied is reviewed and updated regularly by Elders.

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16. The services purchased by the Customer from Elders will be
- (a) as agreed between Elders and the Customer under the Program, including but not limited to, advice regarding soil fertility, weed control and insect and pest control
 - (b) performed within the Program Period, and
 - (c) governed by Elders conditions of sale.

Commissioner of Taxation

13 May 2026

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Appendix – Explanation

❶ *This Explanation is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

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Section 8-1 of the ITAA 1997 – deductibility of the Prepayment

17. A loss or outgoing is deductible under section 8-1 of the ITAA 1997 if it is necessarily incurred in carrying on a business for the purpose of gaining or producing a taxpayer's assessable income. The expenditure must be part of the cost of trading operations and must not be of a capital, private or domestic nature.

18. An outgoing incurred by a business will be 'necessarily incurred' where, in the circumstances, it is reasonably capable of being seen as desirable or appropriate from the point of view of the pursuit of the business ends of the business being carried on for the purpose of earning assessable income (see *Magna Alloys & Research Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia* [1980] FCA 180).

19. Upon entry into the Program, the Prepayment is both immediately due and non-refundable, such that the Customer becomes definitively committed to, and incurs, the Prepayment. As the Prepayment is incurred for the purchase of rural products and services to be used in the Customer's primary production business, it constitutes expenditure which is clearly appropriate from the point of view of the pursuit of the business ends of the Customer's business and is therefore 'necessarily incurred' in the carrying on of that business.

20. The Prepayment necessarily incurred by the Customer to purchase rural products and services in the course of carrying on its business is not of a capital, private or domestic nature. The deduction for the Prepayment is allowable under section 8-1 of the ITAA 1997 in the income year the payment is made to Elders (that is, at the time it is necessarily incurred).

Section 82KZM – prepaid expenditure incurred by certain small and medium business entities and individuals incurring non-business expenditure

21. Subject to paragraph 22 of this Ruling, section 82KZM operates to spread over more than one income year a deduction which, apart from that section, would be allowable under section 8-1 of the ITAA 1997 for the year of income in which the prepaid expenditure (other than excluded expenditure as defined in subsection 82KZL(1)) is incurred under an agreement by a taxpayer that is either:

- a small business entity, or an entity covered by subsection 82KZM(1A), for the year of income that has not chosen to apply section 82KZMD to the expenditure, or
- an individual that has not incurred the expenditure in carrying on a business.

22. Section 82KZM applies if the eligible service period for the expenditure is longer than 12 months, or the eligible service period for the expenditure is 12 months or shorter

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but ends after the last day of the year of income after the one in which the expenditure was incurred.

23. In relation to the Prepayment incurred by a Customer under the Program, the eligible service period for the purpose of section 82KZM is the period to which the Prepayment relates. That period is:

- from the first day of the Program Period (the date of the Prepayment), being the day on which the thing to be done under the Program in return for the Prepayment (that is, the provision of rural products and services by Elders and the calculation of the Reward credited on the Customer's Prepayment under the circumstances set out in subparagraph 14(b) of this Ruling) is required or permitted (as the case may be) to commence being done
- until the last day of the Program Period (the date that is 12 months after the Prepayment), being the day on which the thing to be done under the Program in return for the Prepayment is required or permitted (as the case may be) to cease being done.

24. The eligible service period in relation to the deductible Prepayment under the Program is 12 months or less. As it is not more than 12 months and does not end after the last day of the year of income after the one in which the expenditure was incurred, section 82KZM will have no application to Customers that (as assumed at paragraph 10 of this Ruling) are a small business entity (or an entity covered by subsection 82KZM(1A)) for the year of income and have not chosen to apply section 82KZMD to the expenditure.

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References

Legislative references:

- ITAA 1936 Pt III Div 3 Subdiv H
- ITAA 1936 82KZL(1)
- ITAA 1936 82KZM
- ITAA 1936 82KZM(1A)
- ITAA 1936 82KZMD
- ITAA 1936 Pt IVA
- ITAA 1997 8-1
- ITAA 1997 27-5
- ITAA 1997 Div 230
- ITAA 1997 328-110

- Corporations Act 2001 95A
- SISA 1993

Cases relied on:

- Magna Alloys & Research Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia [1980] FCA 180; 49 FLR 183; 80 ATC 4542; 11 ATR 276; (1980) 33 ALR 213

ATO references

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