


# ***PR 2001/169 - Income tax: Tasmanian Truffle Project No. 1 - Supplementary Prospectus***

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 This document has changed over time. This is a consolidated version of the ruling which was published on *19 December 2001*



## Product Ruling

### Income tax: Tasmanian Truffle Project No. 1 – Supplementary Prospectus

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Potential participants may wish to refer to the ATO's Internet site at <http://www.ato.gov.au> or contact the ATO directly to confirm the currency of this Product Ruling or any other Product Ruling that the ATO has issued.

#### **Preamble**

*The number, subject heading, and the **What this Product Ruling is about** (including **Tax law(s)**, **Class of persons** and **Qualifications** sections), **Date of effect**, **Withdrawal**, **Arrangement** and **Ruling** parts of this document are a 'public ruling' in terms of Part IVAAA of the **Taxation Administration Act 1953**. Product Ruling PR 1999/95 explains Product Rulings and Taxation Rulings TR 92/1 and TR 97/16 together explain when a Ruling is a public ruling and how it is binding on the Commissioner.*

#### **No guarantee of commercial success**

The Australian Taxation Office (ATO) **does not** sanction or guarantee this product. Further, we give 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. This will involve a consideration of important issues such as whether projected returns are realistic, the 'track record' of the management, the level of fees in comparison to similar products, how this product fits an existing portfolio, etc. We recommend a financial (or other) adviser be consulted for such information.

This Product Ruling provides certainty for potential participants by confirming that the tax benefits set out below in the **Ruling** part of this document are available **provided that** the arrangement is carried out in accordance with the information we have been given and have described below in the **Arrangement** part of this document.

If the arrangement is not carried out as described below, participants lose the protection of this Product Ruling. Potential participants may wish to seek assurances from the promoter that the arrangement will be carried out as described in this Product Ruling.

Potential participants should be aware that the ATO will be undertaking review activities to confirm the arrangement has been implemented as described below and to ensure that the participants in the arrangement include in their income tax returns income derived in those future years.

#### **Terms of Use of this Product Ruling**

This Product Ruling has been given on the basis that the person(s) 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.

## What this Product Ruling is about

1. This Ruling sets out the Commissioner's opinion on the way in which the 'tax laws' identified below apply to the defined class of persons who take part in the arrangement to which this Ruling refers. In this Ruling this arrangement is sometimes referred to as the Tasmanian Truffle Project No. 1 – Supplementary Prospectus or simply as 'the Project'.

### Tax laws

2. The tax laws dealt with in this Ruling are:
- Section 6-5 of the *Income Tax Assessment Act 1997* ('ITAA 1997');
  - Section 8-1 (ITAA 1997);
  - Section 17-5 (ITAA 1997);
  - Division 27 (ITAA 1997);
  - Division 35 (ITAA 1997);
  - Division 40 (ITAA 1997);
  - Division 328 (ITAA 1997);
  - Section 82KL of the *Income Tax Assessment Act 1936* ('ITAA 1936');
  - Section 82KZL (ITAA 1936);
  - Section 82KZME (ITAA 1936);
  - Section 82KZMF (ITAA 1936); and
  - Part IVA (ITAA 1936).

### Goods and Services Tax

3. In this Ruling all fees and expenditure referred to include Goods and Services Tax ('GST') where applicable. In order for an entity (referred to in this Ruling as a Grower) to be entitled to claim input tax credits for the GST included in its expenditure, it must be registered or required to be registered for GST and hold a valid tax invoice.

### Changes in the Law

4. The Government is currently evaluating further changes to the tax system in response to the *Ralph Review of Business Taxation* and

continuing business tax reform is expected to be implemented over a number of years. Although this Ruling deals with the taxation legislation enacted at the time it was issued, later amendments may impact on this Ruling. Any such changes will take precedence over the application of this Ruling and, to that extent, this Ruling will be superseded.

5. Taxpayers who are considering participating in the Project are advised to confirm with their taxation adviser that changes in the law have not affected this Product Ruling since it was issued.

### **Note to promoters and advisers**

6. Product Rulings were introduced for the purpose of providing certainty about tax consequences for participants in projects such as this. In keeping with that intention, the Tax Office suggests that promoters and advisers ensure that participants are fully informed of any legislative changes after the Ruling is issued.

### **Class of persons**

7. The class of persons to whom this Ruling applies is the persons who are more specifically identified in the Ruling part of this Product Ruling and who enter into the arrangement specified below on or after the date this Ruling is made. They will have a purpose of staying in the arrangement until it is completed (i.e., being a party to the relevant Agreements until their term expires) and deriving assessable income from this involvement. In this Ruling these persons are referred to as 'Growers'.

8. The class of persons to whom this Ruling applies does not include persons who intend to terminate their involvement in the arrangement prior to its completion or who otherwise do not intend to derive assessable income from it.

### **Qualifications**

9. The Commissioner rules on the precise arrangement identified in the Ruling. If the arrangement described in the Ruling is materially different from the arrangement that is actually carried out, the Ruling has no binding effect on the Commissioner. The Ruling will be withdrawn or modified.

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reproduction and rights should be addressed to the Manager,  
Legislative Services, AusInfo, GPO Box 1920, Canberra ACT 2601.

## Date of effect

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11. This Ruling applies prospectively from 19 December 2001, the date this Ruling is made. However, the Ruling does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of issue of the Ruling (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

12. If a taxpayer has a more favourable private ruling (which is legally binding), the taxpayer can rely on that private ruling if the income year to which it relates has ended or has commenced but not yet ended. However if the arrangement covered by the private ruling has not commenced, and the income year to which it relates has not yet commenced, this Ruling applies to the taxpayer to the extent of the inconsistency only (see Taxation Determination TD 93/34).

## Withdrawal

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13. This Product Ruling is withdrawn and ceases to have effect after 30 June 2004. The Ruling continues to apply, in respect of the tax law(s) ruled upon, to all persons within the specified class who enter into the arrangement specified below. Thus, the Ruling continues to apply to those persons, even following its withdrawal, who entered into the specified arrangement prior to withdrawal of the Ruling. This is subject to there being no change in the arrangement or in the person's involvement in the arrangement.

## Arrangement

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14. The arrangement that is the subject of this Ruling is described below. This description incorporates the following documents:

- Application for Product Ruling dated 7 August 2001;
- Prospectus for Tasmanian Truffle Project No. 1, dated 8 March 2001;
- Draft Supplementary Prospectus for Tasmanian Truffle Project No. 1, dated November 2001;
- **Management Agreement between Tasmanian Truffle Enterprises Ltd and the Grower, undated;**

- Management Agreement between Tasmanian Truffle Enterprises Ltd and The Original Truffle Company Pty Ltd, undated;
- Lease Agreement between Needlesdale Truffles Pty Ltd and Tasmanian Truffle Enterprises Ltd, undated;
- **Sub-Lease Agreement between Needlesdale Truffles Pty Ltd, Tasmanian Truffle Enterprises Ltd and the Grower, undated;**
- **Constitution of Tasmanian Truffle Project No. 1, undated;**
- Option Deed between Needlesdale Truffles Pty Ltd and Truffleland Pty Ltd, undated;
- Additional correspondence dated 22 October 2001, 30 October 2001 and 31 October 2001.

**Note: certain information received from Tasmanian Truffle Enterprises Ltd has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.**

15. The documents highlighted are those that the Growers enter into. There are no other agreements, whether formal or informal, and whether or not legally enforceable, which a Grower, or an associate of the Grower will be a party to that are part of the arrangement to which this Ruling applies. The effect of the agreements may be summarised as follows.

### **Overview**

16. This arrangement is called the Tasmanian Truffle Project No. 1 - Supplementary Prospectus.

Location	9 km west of Deloraine in northern Tasmania
Type of business each participant is carrying on	Growing and cultivation of truffle inoculated oak and hazelnut trees for the purpose of harvesting truffles for sale or for processing into truffle products for sale.
Number of hectares to be under cultivation	50 divided into 500 trufferies
Minimum subscription for Project	85 trufferies, already achieved
Size of each trufferie	0.1 hectares
Minimum number of trufferies per Grower	1
Minimum number of	40

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inoculated trees per trufferie	
The term of the project	15 years
Subscription cost per trufferie	\$8,745
Ongoing costs	Lease and Management Fees

17. The Project is located on land 9 km east from Deloraine, northern Tasmania. The land is 79.3 hectares in size, 50 hectares of which has been allocated for the Project.

18. The Project is registered as a managed investment scheme under the *Corporations Act 2001*. Participation in the Project is made by applying for one or more trufferies, each of 0.1 hectares in size, for the purpose of growing truffle inoculated oak and hazelnut trees. A minimum of 40 inoculated trees will be grown on each trufferie. Minimum subscription for the Project of 85 Trufferies has been achieved. A maximum of 500 trufferies are available for the Project. There is a right to accept over subscriptions.

19. Trufferies are allocated by the Responsible Entity and plans showing the location of each Trufferie will be provided to each Grower by the Manager and may also be inspected at the Manager's registered office. The Responsible Entity has the right to accept or reject Applications in whole or in part. No applications will be accepted after 8 April 2002.

20. Upon acceptance into the Project, an applicant becomes a Grower and enters into the Sub-Lease and Management Agreements. Under the Sub-Lease Agreement the Lessor grants the Grower a lease over their respective Trufferie(s) in return for the annual Lease Fee. Under the Management Agreement the Grower appoints the Manager to manage the Grower's Trufferie(s) by planting, managing, maintaining and collecting Produce from oak and hazelnut trees on the Grower's Trufferie(s) in return for the annual Management Fee.

21. Growers also receive an option to acquire shares in Truffleland Pty Ltd which will become exerciseable between 1 July 2006 and 30 September 2006 (Capital Gains Tax provisions may apply to the option). Truffleland Pty Ltd is being granted an option to acquire a direct interest in the Trufferies (comprising the Project land, inoculated trees and other infrastructure and capital works). Growers will have a period of approximately 6 years to monitor the progress of the project before deciding whether or not to exercise the options and acquire the shares.

**Management Agreement**

22. The Management Agreement between Tasmanian Truffle Enterprises Ltd as the Manager and each Grower commences to apply from the date of signing and continues until 30 June 2016. Under the Agreement the manager will provide services related to the selection and purchase of inoculated trees, preparation of the land for planting, planting the trees, intense management of the trees in the weeks after planting, ongoing management and maintenance of the trees and harvesting and marketing of the truffles produced. On signing the Agreement, the Grower will pay a fee of \$206.80 for establishment services and \$8,483.20 for initial management services. The Grower will pay ongoing management fees within 14 days of the end of each year of the agreement commencing from the year ended 30 June 2003 for which the fee will be \$880.00. The same fee, indexed annually in accordance with movements in the Consumer Price Index, will be payable for subsequent years of the Agreement.

**Lease and Sub-Lease Agreements**

23. The Project land will be owned by Needlesdale Truffles Pty Ltd and leased to Tasmanian Truffle Enterprises Ltd from which each Grower will sub-lease their Trufferie(s). The rental will be \$55 from the date of commencement until 30 June 2002, \$220 for the year ended 30 June 2003 and, for subsequent years, the same amount indexed annually in accordance with movements in the Consumer Price Index.

**Fees**

24. Under the terms of the Management and Sub-Lease Agreements, a Grower will make the following payments per Trufferie:

- \$8,745 payable on application, consisting of \$206.80 for Plantation Establishment Services, \$8,483.20 for Initial Management Fee and \$55 for initial Rent;
- \$1,100 for the year ended 30 June 2003, consisting of \$880 for Ongoing Management Fee and \$220 for annual Rent;
- for each subsequent year until the year ended 30 June 2016, the amounts for Ongoing Management Fee and annual Rent in the previous dot point, indexed annually in accordance with movements in the Consumer Price Index.



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## Finance

25. Growers can fund their participation in the Project themselves, or borrow from an independent lender.

26. This Ruling does not apply if the finance arrangement entered into by the Grower includes or has any of the following features:

- there are split loan features of a type referred to in Taxation Ruling TR 98/22;
- there are indemnity arrangements or other collateral agreements in relation to the loan designed to limit the borrower's risk;
- 'additional benefits' are or will be granted to the borrowers for the purpose of section 82KL or the funding arrangements transform the Project into a 'scheme' to which Part IVA may apply;
- the loan or rate of interest is non-arm's length;
- repayments of the principal and payments of interest are linked to the derivation of income from the Project;
- the funds borrowed, or any part of them, will not be available for the conduct of the Project but will be transferred (by any mechanism, directly or indirectly) back to the lender or any associate of the lender;
- lenders do not have the capacity under the loan agreement, or a genuine intention, to take legal action against defaulting borrowers; or
- entities associated with the Project are involved or become involved in the provision of finance to Growers for the Project.

## Ruling

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### Application of this Ruling

27. This Ruling applies only to Growers who are accepted to participate in the Project on or before 8 April 2002 and who have executed a Management Agreement and a Sub-Lease Agreement on or before that date. The Grower's participation in the Project must constitute the carrying on of a business of primary production.

28. A Grower is not eligible to claim any tax deductions until the Grower's application to enter the Project is accepted and the Project has commenced.

**The Simplified Tax System ('STS')****Division 328**

29. For a Grower participating in the Project, the recognition of income and the timing of tax deductions, including those related to capital allowances, is different depending on whether the Grower is an 'STS taxpayer'. To be an 'STS taxpayer' a Grower:

- must be eligible to be an 'STS taxpayer'; and
- must have elected to be an 'STS taxpayer'.

**Qualification**

30. This Product Ruling assumes that a Grower who is an 'STS taxpayer' is so for the income year in which their participation in the Project commences. A Grower may become an 'STS taxpayer' at a later point in time. Also, a Grower who is an 'STS taxpayer' may choose to stop being an 'STS taxpayer', or may cease to be eligible to be an 'STS taxpayer', during the term of the Project. These are contingencies relating to the circumstances of individual Growers that cannot be accommodated in this Ruling. Such Growers can ask for a private ruling on how the taxation legislation applies to them.

**Tax outcomes for Growers who are not 'STS taxpayers'****Assessable Income****Section 6-5**

31. That part of the gross sales proceeds from the Project attributable to the Grower's produce, less any GST payable on those proceeds (section 17-5), will be assessable income of the Grower under section 6-5.

32. The Grower recognises ordinary income from carrying on the business of trufficulture at the time that income is derived.

**Deductions for Management fees, Lease fees, and Interest****Section 8-1**

33. A Grower who is not an 'STS taxpayer' may claim tax deductions for the following revenue expenses:

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Fee Type	ITAA 1997 Section	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004
<b>Management Fee</b>	8-1	\$6707.98 – See Notes (i) & (ii) (below)	\$880 – See Notes (i) & (ii) (below)	\$880 – See Note (i) & (ii) (below)
<b>Lease Fee (Rent)</b>	8-1	\$55 – See Notes (i) & (ii) (below)	\$220 – See Notes (i) & (ii) (below)	\$220 – See Notes (i) & (ii) (below)

**Notes:**

- (i) If the Grower is registered or required to be registered for GST, amounts of outgoing would need to be adjusted as relevant for GST (e.g., input tax credits): Division 27. See example at paragraph 102;
- (ii) The Management fees and the Lease fees shown in the Management Agreement and the Lease Agreement are deductible in full in the year that they are incurred. However, if a Grower **chooses** to prepay fees for the doing of a thing (e.g., the provision of management services or the leasing of land) that will not be wholly done in the income year the fees are incurred, the prepayment rules of the ITAA 1936 may apply to apportion those fees. In such cases, the tax deduction for the prepaid fee must be determined using the formula shown in paragraph 75 unless the expenditure is 'excluded expenditure'. 'Excluded expenditure' is an 'exception' to the prepayment rules and is deductible in full in the year in which it is incurred. For the purpose of this Ruling 'excluded expenditure' refers to an amount of expenditure of less than \$1,000.

**Deductions for capital expenditure****Division 40**

34. A Grower who is not an 'STS taxpayer' will also be entitled to tax deductions relating to water facilities (e.g., irrigation), and establishment of horticultural plants. All deductions shown in the following Table are determined under Division 40.

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Fee type	ITAA 1997 section	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004
Water facility (e.g., irrigation)	40-515	\$314.83 - see Notes (iii) & (iv) below	\$314.83 - see Notes (iii) & (iv) below	\$314.83 - see Notes (iii) & (iv) below
Establishment of horticultural plants (truffle- inoculated trees)	40-515	Nil - see Notes (iii) & (v) below	Nil - see Notes (iii) & (v) below	Nil - see Notes (iii) & (v) below

**Notes:**

- (iii) If the Grower is registered or required to be registered for GST, amounts of capital expenditure would need to be adjusted as relevant for GST (e.g., input tax credits): Division 27. See example at paragraph 102;
- (iv) Any irrigation system, dam or bore is a 'water facility' as defined in subsection 40-520(1), being used primarily and principally for the purpose of conserving or conveying water. A deduction is available under Subdivision 40-F, paragraph 40-515(1)(a). This deduction is equal to one third of the capital expenditure incurred by each Grower on the installation of the 'water facility' in the year in which it is incurred and one third in each of the next 2 years of income (section 40-540);
- (v) The truffle-inoculated trees are 'horticultural plants' as defined in subsection 40-520(2). As Growers hold the land under a lease, one of the conditions in subsection 40-525(2) is met and a deduction for 'horticultural plants' is available under paragraph 40-515(1)(b) for their decline in value. The deduction for the establishment of the truffle-inoculated trees is determined using the formula in section 40-545 and is based on the capital expenditure incurred by the Grower that is attributable to their establishment. If the truffle-inoculated trees have an 'effective life' of greater than 30 years for the purposes of section 40-545, this results in a straight-line write-off at a rate of 7%. The deduction is allowable when the truffle-inoculated trees, as horticultural plants, enter their first commercial season (section 40-530, item 2).

The Project Manager will inform Growers of when the truffle-inoculated trees enter their first commercial season.

## **Tax outcomes for Growers who are ‘STS taxpayers’**

### **Assessable Income**

#### **Section 6-5**

35. That part of the gross sales proceeds from the Project attributable to the Grower’s produce, less any GST payable on those proceeds (section 17-5), will be assessable income of the Grower under section 6-5.

36. The Grower recognises ordinary income from carrying on the business of trufficulture at the time the income is received (paragraph 328-105(1)(a)).

### **Deductions for Management fees, Lease fees, and Interest**

#### **Section 8-1 and section 328-105**

37. A Grower who is an ‘STS taxpayer’ may claim tax deductions for the following revenue expenses:

<b>Fee Type</b>	<b>ITAA 1997 Sections</b>	<b>Year ended 30 June 2002</b>	<b>Year ended 30 June 2003</b>	<b>Year ended 30 June 2004</b>
<b>Management Fee</b>	8-1 & 328-105	\$6707.98 – See Notes (vi), (vii) & (viii) (below)	\$880 – See Notes (vii), (viii) & (xii) (below)	\$880 – See Notes (vii), (viii) & (xii) (below)
<b>Lease Fee (Rent)</b>	8-1 & 328-105	\$55 – See Notes (vi), (vii) & (viii) (below)	\$220 – See Notes (vi), (vii) & (viii) (below)	\$220 – See Notes (vi), (vii) & (viii) (below)

#### **Notes:**

- (vi) If the Grower is registered or required to be registered for GST, amounts of outgoing would need to be adjusted as relevant for GST (e.g., input tax credits): Division 27. See example at paragraph 102;
- (vii) If, for any reason, an amount shown in the Table above is not fully paid in the year in which it is incurred by a Grower who is an ‘STS taxpayer’ then the amount is

only deductible to the extent to which it has been paid, or has been paid for the Grower. Any amount or part of an amount shown in the Table above which is not paid in the year in which it is incurred will be deductible in the year in which it is actually paid;

- (viii) Where a Member who is an 'STS taxpayer', pays the Management fees and the Rent in the relevant income years shown in the Lease and Management Agreement, those fees are deductible in full in the year that they are paid. However, if a Grower chooses to prepay fees for the doing of a thing (e.g., the provision of management services or the leasing of land) that will not be wholly done in the income year the fees are incurred, the prepayment rules of the ITAA may apply to apportion those fees (see paragraphs 69 to 83). In such cases, the tax deduction for the prepaid fee must be determined using the formula shown in paragraph 75, unless the expenditure is 'excluded expenditure'. 'Excluded expenditure' is an 'exception' to the prepayment rules, and is deductible in full in the year in which it is incurred. For the purpose of this Ruling 'excluded expenditure' refers to an amount of expenditure of less than \$1,000.

## **Deductions for capital expenditure**

### **Subdivision 328-D and Subdivisions 40-F**

38. A Grower who is an 'STS taxpayer' will also be entitled to tax deductions relating to water facilities (e.g., irrigation), and establishment of horticultural plants. An 'STS taxpayer' may claim deductions in relation to water facilities under Subdivision 40-F. If the 'water facility' expenditure is on a 'depreciating asset' used to carry on the business, they may choose to claim deductions under Division 328. Deductions for the truffle-inoculated trees must be determined under Subdivision 40-F.

39. The deductions shown in the following Table assume, for representative purposes only, that a Grower has either chosen to or can only claim deductions for expenditure on water facilities under Subdivision 40-F and not under Division 328. If the expenditure has been incurred on 'depreciating assets' and is claimed under Division 328, the deduction is determined as discussed in Note (x) below.

40. Under Division 328, if the 'cost' of a 'depreciating asset' at the end of the income year is less than \$1000 (a 'low-cost asset'), it can be claimed as an immediate deduction when first used or 'installed ready for use'. This is so provided the Grower is an 'STS taxpayer' for

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the income year in which it starts to 'hold' the asset and the income year in which it first uses the asset or has it 'installed ready for use' to produce assessable income.

Fee type	ITAA 1997 section	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004
Water facility (e.g., irrigation)	40-515	\$314.83 - see Notes (ix) & (x) below	\$314.83 - see Notes (ix) & (x) below	\$314.83 - see Notes (ix) & (x) below
Establishment of horticultural plants (truffle- inoculated trees)	40-515	Nil - see Notes (ix) & (xi) below	Nil - see Notes (ix) & (xi) below	Nil - see Notes (ix) & (xi) below

**Notes:**

- (ix) If the Grower is registered or required to be registered for GST, amounts of capital expenditure would need to be adjusted as relevant for GST (e.g., input tax credits): Division 27. See example at paragraph 102;
- (x) Any irrigation system, dam or bore is a 'water facility' as defined in subsection 40-520(1), being used primarily and principally for the purpose of conserving or conveying water. If the expenditure is on a 'depreciating asset' (the underlying asset), the Grower may choose to claim a deduction under either Division 328 or Subdivision 40-F. For the purposes of Division 328, each Grower's interest in the underlying asset is itself deemed to be a 'depreciating asset'. If the 'cost' apportionable to that deemed 'depreciating asset' is less than \$1000, the deemed asset is treated as a 'low-cost asset' and that amount is deductible in full when the underlying asset is first used or 'held' ready for use. This is so provided the Grower is an 'STS taxpayer' for the income year in which it starts to 'hold' the asset and the income year in which it first uses the asset or has it 'installed ready for use' to produce assessable income. If the deemed asset is not treated as a 'low-cost asset', the tax deduction allowable in the year ended 30 June 2002 is determined by multiplying its 'cost' by half the relevant STS pool rate. At the end of the year, it is allocated to the relevant STS pool and in subsequent years the full pool rate will apply. If the expenditure is not on a 'depreciating asset', or if they

choose to use Subdivision 40-F, Growers must claim deductions under Subdivision 40-F, paragraph 40-515(1)(a). This deduction is equal to one third of the capital expenditure incurred by each Growers on the installation of the 'water facility' in the year in which it is incurred and one third in each of the next 2 years of income (section 40-540);

- (xi) The truffle-inoculated trees are 'horticultural plants' as defined in subsection 40-520(2). As Growers hold the land under a lease, one of the conditions in subsection 40-525(2) is met and a deduction for 'horticultural plants' is available under paragraph 40-515(1)(b) for their decline in value. The deduction for the establishment of the truffle-inoculated trees is determined using the formula in section 40-545 and is based on the capital expenditure incurred by the Grower that is attributable to their establishment. If the truffle-inoculated trees have an 'effective life' of greater than 30 years for the purposes of section 40-545, this results in a straight-line write-off at a rate of 7%. The deduction is allowable when the truffle-inoculated trees, as horticultural plants, enter their first commercial season (section 40-530, item 2). The Project Manager will inform Growers of when the truffle-inoculated trees enter their first commercial season.

## **Tax outcomes that apply to all Growers**

### **Interest**

41. The deductibility or otherwise of interest incurred by Growers who finance their participation in the Project through a loan facility with a bank or other financier is outside the scope of this Ruling. Product Rulings only rule on the deductibility of expenditure where all details and related documentation have been provided to, and examined by the Tax Office. However all Growers who borrow funds in order to participate in the Project, should read the discussion of the prepayment rules in paragraphs 69 to 83 (below) as those rules may be applicable if interest is prepaid. Subject to the 'excluded expenditure' exception, the prepayment rules apply whether the prepayment is required under the relevant loan agreement or is at the Grower's choice.



## **Division 35 – Deferral of losses from non-commercial business activities**

### **Section 35-55 – Commissioner’s discretion**

42. For a Grower who is an individual and who enters the Project during the year ended 30 June 2002 the rule in section 35-10 may apply to the business activity comprised by their involvement in this Project. Under paragraph 35-55(1)(b) the Commissioner will decide for the income years ending 30 June 2002 to 30 June 2007 that the rule in section 35-10 does not apply to this activity provided that the Project is carried out in the manner described in this Ruling.

43. This exercise of the discretion in subsection 35-55(1) will not be required where, for any year in question:

- the ‘exception’ in subsection 35-10(4) applies (see paragraph 90 in the Explanations part of this ruling, below);
- a Grower’s business activity satisfies one of the tests in sections 35-30, 35-35, 35-40 or 35-45;
- the Grower’s business activity produces assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsection 35-10(2)); or
- the Commissioner is precluded from exercising the discretion under paragraph 35-55(1)(b) because of subsection 35-55(2).

44. Where, the exception in subsection 35-10(4) applies, the Grower’s business activity satisfies one of the tests, or the discretion in subsection 35-55(1) is exercised, section 35-10 will not apply. This means that a Grower will not be required to defer any excess of deductions attributable to their business activity in excess of any assessable income from that activity, i.e., any ‘loss’ from that activity, to a later year. Instead, this ‘loss’ can be offset against other assessable income for the year in which it arises.

45. Growers are reminded of the important statement made on Page 1 of this Product Ruling. Therefore, Growers should not see the Commissioner’s decision to exercise the discretion in paragraph 35-55(1)(b) as an indication that the Tax Office sanctions or guarantees the Project or the product to be commercially viable. An assessment of the Project or the product from this perspective has not been made.

**Sections 82KZME – 82KZMF, 82KL, and Part IVA**

46. For a Grower who participates in the Project and incurs expenditure as required by the Management Agreement and the Lease Agreement the following provisions of the ITAA 1936 have application as indicated:

- expenditure by a Grower does not fall within the scope of sections 82KZME-82KZMF (but see paragraphs 69 to 83);
- section 82KL does not apply to deny the deductions otherwise allowable; and
- the relevant provisions in Part IVA will not be applied to cancel a tax benefit obtained under a tax law dealt with in this Ruling.

**Explanations****Is the Grower carrying on a business?**

47. For the amounts set out in the Tables above to constitute allowable deductions the Grower's trufficulture activities as a participant in the Tasmanian Truffle Project No. 1 – Supplementary Prospectus must amount to the carrying on of a business of primary production. These trufficulture activities will fall within the definitions of 'horticulture' and 'commercial horticulture' in section 40-535 of the ITAA 1997.

48. For schemes such as that of the Tasmanian Truffle Project No. 1 - Supplementary Prospectus, Taxation Ruling TR 2000/8 sets out in paragraph 89 the circumstances in which the Grower's activities can constitute the carrying on of a business. As Taxation Ruling TR 2000/8 sets out, these circumstances have been established in court decisions such as *FCT v. Lau* 84 ATC 4929.

49. Generally, a Grower will be carrying on a business of trufficulture, and hence primary production, if:

- the Grower has an identifiable interest (by lease or by licence) in the land on which the Grower's truffile-inoculated trees are established;
- the Grower has a right to harvest and sell the truffiles each year from those truffile-inoculated trees;
- the trufficulture activities are carried out on the Grower's behalf;
- the trufficulture activities of the Grower are typical of those associated with a trufficulture business; and

- the weight and influence of general indicators point to the carrying on of a business.

50. In this Project, each Grower enters into a Management Agreement and a Sub-Lease Agreement.

51. Under the Sub-Lease Agreement each individual Grower will have rights over a specific and identifiable area of land. The Sub-Lease Agreement provides the Grower with an ongoing interest in the specific truffle-inoculated trees on the leased area for the term of the Project. Under the lease the Grower must use the land in question for the purpose of carrying out trufficulture activities and for no other purpose. The lease allows the Project Manager to come onto the land to carry out its obligations under the Management Agreement.

52. Under the Management Agreement the Project Manager is engaged by the Grower to establish and maintain a trufferie on the Grower's identifiable area of land during the term of the Project. The Project Manager has provided evidence that it holds the appropriate professional skills and credentials to provide the management services to establish and maintain the trufferie on the Grower's behalf.

53. In establishing the trufferie, the Grower engages the Project Manager to purchase and install water facilities (e.g., irrigation) and to acquire and plant truffle-inoculated trees on the Grower's trufferie. During the term of the Project, these assets will be used wholly to carry out the Grower's trufficulture activities. The Project Manager is also engaged to harvest and sell, on the Grower's behalf, the truffles grown on the Grower's trufferie.

54. The general indicators of a business, as used by the Courts, are described in Taxation Ruling TR 97/11. Positive findings can be made from the Project's description for all the indicators.

55. The activities that will be regularly carried out during the term of the Project demonstrate a significant commercial purpose. Based on reasonable projections, a Grower in the Project will derive assessable income from the sale of its truffles that will return a before-tax profit, i.e., a profit in cash terms that does not depend in its calculation on the fees in question being allowed as a deduction.

56. The pooling of truffles grown on the Grower's trufferie with the truffles of other Growers to whom this Ruling applies is consistent with general horticulture practices. Each Grower's proportionate share of the sale proceeds of the pooled truffles will reflect the proportion of the truffles contributed from their trufferie.

57. The Project Manager's services and the installation of assets on the Grower's behalf are also consistent with general horticulture practices. The assets are of the type ordinarily used in carrying on a business of trufficulture. While the size of a trufferie is relatively

small, it is of a size and scale to allow it to be commercially viable. (see Taxation Ruling IT 360).

58. The Grower's degree of control over the Project Manager as evidenced by the Management Agreement, and supplemented by the *Corporations Act*, is sufficient. During the term of the Project, the Manager will provide the Grower with regular progress reports on the Grower's trufferie and the activities carried out on the Grower's behalf. Growers are able to terminate arrangements with the Project Manager in certain instances, such as cases of default or neglect.

59. The trufficulture activities, and hence the fees associated with their procurement, are consistent with an intention to commence regular activities that have an 'air of permanence' about them. For the purposes of this Ruling, the Growers' trufficulture activities in the Tasmanian Truffle Project No. 1 – Supplementary Prospectus will constitute the carrying on of a business.

## **The Simplified Tax System**

### **Division 328**

60. Subdivision 328-F sets out the eligibility requirements that a Grower must satisfy in order to enter the STS and Subdivision 328-G sets out the rules for entering and leaving the STS.

61. The question of whether a Grower is eligible to be an 'STS taxpayer' is outside the scope of this Product Ruling. Therefore, any Grower who relies on those parts of this Ruling that refer to the STS will be assumed to have correctly determined whether or not they are eligible to be an 'STS taxpayer'.

## **Deductibility of management fees and lease fees**

### **Section 8-1**

62. Consideration of whether the initial management fees and lease fees are deductible under section 8-1 begins with the first limb of the section. This view proceeds on the following basis:

- the outgoing in question must have a sufficient connection with the operations or activities that directly gain or produce the taxpayer's assessable income;
- the outgoings are not deductible under the second limb if they are incurred when the business has not commenced; and
- where all that happens in a year of income is that a taxpayer is contractually committed to a venture that may not turn out to be a business, there can be doubt

about whether the relevant business has commenced, and hence, whether the second limb applies. However, that does not preclude the application of the first limb in determining whether the outgoing in question has a sufficient connection with activities to produce assessable income.

63. The management fees and lease fees associated with the trufficulture activities will relate to the gaining of income from the Grower's business of trufficulture (see above), and hence have a sufficient connection to the operations by which income (from the regular sale of truffles) is to be gained from this business. They will thus be deductible under the first limb of section 8-1. Further, no 'non-income producing' purpose in incurring the fee is identifiable from the arrangement. The fee appears to be reasonable. There is no capital component of the management fee. The tests of deductibility under the first limb of section 8-1 are met. The exclusions do not apply.

#### *Possible application of prepayment provisions*

64. Under the Management Agreement and the Lease (or Licence) Agreement neither the management fees nor the lease fees are for things to be done beyond 30 June in the year in which the relevant amounts are incurred. In these circumstances, the prepayment provisions in sections 82KZME and 82KZMF have no application to these fees.

65. However, where a Grower chooses to prepay these fees for a period beyond the income year in which the expenditure is incurred, the prepayment provisions (see paragraphs 69 to 83) will apply to determine the amount and timing of the deductions regardless of whether the Grower is an 'STS taxpayer' or not. These provisions apply to 'STS taxpayers' because there is no specific exclusion contained in section 82KZME that excludes 'STS taxpayers' from the operation of section 82KZMF. This is subject to the 'excluded expenditure' exception. For the purpose of this Ruling 'excluded expenditure' refers to an amount of expenditure of less than \$1,000.

#### *Timing of deductions*

66. In the absence of any application of the prepayment provisions, the timing of deductions for the management fees or the lease fees will depend upon whether a Grower is an 'STS taxpayer' or is not an 'STS taxpayer'.

67. If the Grower is not an 'STS taxpayer', the management fees and the lease fees are deductible in the year in which they are incurred.

68. If the Grower is an 'STS taxpayer' the management fees and the lease fees are deductible in the income year in which they are paid, or are paid for the Grower (paragraph 328-105(1)(b)). If any amount that is properly incurred in an income year remains unpaid at the end of that income year, the unpaid amount is deductible in the income year in which it is actually paid or is paid for the Grower.

### **Prepayment provisions**

#### **Sections 82KZL to 82KZMF**

69. The prepayment provisions contained in Subdivision H of Division 3 of Part III of the ITAA 1936 affect the timing of deductions for certain prepaid expenditure. These provisions apply to certain expenditure incurred under an agreement in return for the doing of a thing under the agreement (eg. the performance of management services or the leasing of land) that will not be wholly done within the same year of income as the year in which the expenditure is incurred. If expenditure is incurred to cover the provision of services to be provided within the same year, then it is not expenditure to which the prepayment rules apply.

70. For this Project only section 82KZL (an interpretative provision) and sections 82KZME and 82KZMF are relevant. Where the requirements of sections 82KZME and 82KZMF are met, taxpayers determine deductions for prepaid expenditure under section 82KZMF using the formula in subsection 82KZMF(1). These provisions also apply to 'STS taxpayers' because there is no specific exclusion contained in section 82KZME that excludes 'STS taxpayers' from the operation of section 82KZMF.

#### *Sections 82KZME and 82KZMF*

71. Where the requirements of subsections 82KZME(2) and (3) are met, the formula in subsection 82KZMF(1) (see below) will apply to apportion expenditure that is otherwise deductible under section 8-1 of the ITAA 1997. The requirements of subsection 82KZME(2) will be met if expenditure is incurred by a taxpayer in return for the doing of a thing that is not to be wholly done within the year the expenditure is made. The year in which such expenditure is incurred is called the 'expenditure year' (subsection 82KZME(1)).

72. The requirements of subsection 82KZME(3) will be met where the agreement (or arrangement) has the following characteristics:

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- the taxpayer's allowable deductions under the agreement for the 'expenditure year' exceed any assessable income attributable to the agreement for that year; and
- the taxpayer does not have effective day to day control over the operation of the agreement. That is, the significant aspects of the arrangement are managed by someone other than the taxpayer; and
- either :
  - a) there is more than one participant in the agreement in the same capacity as the taxpayer; or
  - b) the person who promotes, arranges or manages the agreement (or an associate of that person) promotes similar agreements for other taxpayers.

73. For the purpose of these provisions, the agreement includes all activities that relate to the agreement (subsection 82KZME(4)). This has particular relevance for a Grower in this Project who, in order to participate in the Project may borrow funds from a financier. Although undertaken with an unrelated party, that financing would be an element of the arrangement. The funds borrowed and the interest deduction are directly related to the activities under the arrangement. If a Grower prepays interest under such financing arrangements, the deductions allowable will be subject to apportionment under section 82KZMF.

74. There are a number of exceptions to these rules, but for Growers participating in this Project, only the 'excluded expenditure' exception in subsection 82KZME(7) is relevant. 'Excluded expenditure' is defined in subsection 82KZL(1). However, for the purposes of Growers in this Project, 'excluded expenditure' is prepaid expenditure incurred under the arrangement that is less than \$1,000. Such expenditure is immediately deductible.

75. Where the requirements of section 82KZME are met, section 82KZMF applies to apportion relevant prepaid expenditure. Section 82KZMF uses the formula below, to apportion prepaid expenditure and allow a deduction over the period that the benefits are provided.

$$\text{Expenditure X} = \frac{\text{Number of days of eligible service}}{\text{period in the year of income}} \times \text{Total number of days of eligible service period}$$

76. In the formula 'eligible service period' (defined in subsection 82KZL(1)) means, the period during which the thing under the agreement is to be done. The eligible service period begins on the day

on which the thing under the agreement commences to be done or on the day on which the expenditure is incurred, whichever is the later, and ends on the last day on which the thing under the agreement ceases to be done, up to a maximum of 10 years.

*Application of the prepayment provisions to this Project*

77. In this Project, an initial management fee of \$8,483.20, plantation establishment fee of \$206.80 and an initial lease fee of \$55 per trufferie will be incurred on execution of the Management Agreement and the Sub-Lease Agreement. The initial management fee, plantation establishment fee and initial lease fee are charged for providing management services or leasing land to a Grower by 30 June of the year of execution of the Agreements. Under the Agreements, further annual expenditure is required each year during the term of the Project for the provision of management services and land until 30 June in those years.

78. In particular, the management fee is expressly stated to be for a number of specified services. No explicit conclusion can be drawn from the description of the arrangement that the initial management fee has been inflated to result in reduced fees being payable for management fees in subsequent years.

79. There is also no evidence that might suggest the management services covered by the fee could not be provided within the relevant expenditure year. Thus, for the purposes of this Ruling, it can be accepted that no part of the initial management fee, and the fees for subsequent years, is for the Project Manager doing 'things' that are not to be wholly done within the expenditure year. Under the Lease Agreement, lease fees are payable annually in advance for the lease of the land during the expenditure year.

80. On this basis, provided a Grower incurs expenditure as required under the Project agreements, as set out in paragraph 14, then the basic precondition in subsection 82KZME(2) is not satisfied and, in these circumstances, section 82KZMF will have no application.

*Growers who choose to pay fees for a period in excess of that required by the Project's agreements*

81. Although not required under either the Management Agreement or the Sub-Lease Agreement, a Grower participating in the Project may choose to prepay fees/interest for a period beyond the 'expenditure year'. Similarly, Growers who use financiers may either choose, or be required to prepay interest. Where this occurs, contrary to the conclusion reached in paragraph 80 above, section 82KZMF



will apply to apportion the expenditure and allow a deduction over the period in which the prepaid benefits are provided.

82. For these Growers, the amount and timing of deductions for any relevant prepaid Management Fees, prepaid Lease Fees, or prepaid interest will depend upon when the respective amounts are incurred and what the 'eligible service period' is in relation to these amounts.

83. However, as noted above, prepaid fees of less than \$1,000 incurred in an expenditure year will be 'excluded expenditure' and will be not subject to apportionment under section 82KZMF.

## **Expenditure of a capital nature**

### **Division 40 and Division 328**

84. Any part of the expenditure of a Grower that is attributable to acquiring an asset or advantage of an enduring kind is generally capital or capital in nature and will not be an allowable deduction under section 8-1. In this Project, expenditure attributable to water facilities and the establishment of the truffle-inoculated trees is of a capital nature. This expenditure falls for consideration under Division 40 or Division 328 of the ITAA 1997.

85. The application and extent to which a Grower claims deductions under Division 40 and Division 328 depends on whether or not the Grower is an 'STS taxpayer'.

86. The tax treatment of capital expenditure has been dealt with in a representative way in paragraphs 34 and 40 (above) in the Tables and the accompanying Notes.

## **Deferral of losses from non-commercial business activities**

### **Division 35**

87. Division 35 applies to losses from certain business activities for the income year ended 30 June 2001 and subsequent years. Under the rule in subsection 35-10(2), a deduction for a loss made by an individual (including an individual in a general law partnership) from certain business activities will not be taken into account in an income year unless:

- the exception in subsection 35-10(4) applies;
- one of four tests in sections 35-30, 35-35, 35-40 or 35-45 is met; or
- if one of the tests is not satisfied, the Commissioner exercises the discretion in section 35-55.

88. Generally, a loss in this context is, for the income year in question, the excess of an individual taxpayer's allowable deductions attributable to the business activity over that taxpayer's assessable income from the business activity.

89. Losses that cannot be taken into account in a particular year of income, because of subsection 35-10(2), can be applied to the extent of future profits from the business activity, or are deferred until one of the tests is passed, the discretion is exercised, or the exception applies.

90. For the purposes of applying Division 35, subsection 35-10(3) allows taxpayers to group business activities 'of a similar kind'. Under subsection 35-10(4), there is an 'exception' to the general rule in subsection 35-10(2) where the loss is from a 'primary production business' activity and the individual taxpayer has other assessable income for the income year from sources not related to that activity, of less than \$40,000 (excluding any net capital gain). As both subsections relate to the individual circumstances of Growers who participate in the Project they are beyond the scope of this Product Ruling and are not considered further.

91. In broad terms, the tests require:

- (a) at least \$20,000 of assessable income in that year from the business activity (section 35-30);
- (b) the business activity results in a taxation profit in 3 of the past 5 income years (including the current year)(section 35-35);
- (c) at least \$500,000 of real property, or an interest in real property, (excluding any private dwelling) is used on a continuing basis in carrying on the business activity in that year (section 35-40); or
- (d) at least \$100,000 of certain other assets (excluding cars, motor cycles and similar vehicles) are used on a continuing basis in carrying on the business activity in that year (section 35-45).

92. A Grower who participates in the Project will be carrying on a business activity that is subject to these provisions. Information provided with the application for this Product Ruling indicates that a Grower who acquires the minimum allocation of one truffierie in the Project is unlikely to have their activity pass one of the tests until the income year ended 30 June 2010. Growers who acquire more than one interest in the Project may however, find that their activity meets one of the tests in an earlier income year.

93. Therefore, prior to this time, unless the Commissioner exercises an arm of the discretion under paragraphs 35-55(1)(a) or (b),

the rule in subsection 35-10(2) will apply to defer to a future income year any loss that arises from the Grower's participation in the Project.

94. The first arm of the discretion in paragraph 35-55(1)(a) relates to 'special circumstances' applicable to the business activity, and has no relevance for the purposes of this Product Ruling. However, the second arm of the discretion in paragraph 35-55(1)(b) may be exercised by the Commissioner where:

- (i) the business activity has started to be carried on;
- (ii) because of its nature, it has not yet met one of the tests set out in Division 35; and
- (iii) there is an expectation that the business activity of an individual taxpayer will either pass one of the tests or produce a taxation profit within a period that is commercially viable for the industry concerned.

95. Information provided with this Product Ruling indicates that a Grower who acquires the minimum participation of one trufferie in the Project is expected to be carrying on a business activity that will either pass one of the tests, or produce a taxation profit, for the year ended 30 June 2008. The Commissioner will decide for such a Grower that it would be reasonable to exercise the second arm of the discretion until the year ended 30 June 2007. Subsection 35-55(2) prevents the Commissioner exercising the discretion beyond this year.

96. This Product Ruling is issued on a prospective basis (i.e., before an individual Grower's business activity starts to be carried on). The Project, however, may fail to be carried on during the income years specified above (see paragraph 33), in the manner described in the Arrangement (see paragraphs 14 to 30). If so, this Ruling, and specifically the decision in relation to paragraph 35-55(1)(b), that it would be unreasonable that the loss deferral rule in subsection 35-10(2) not apply, may be affected, because the Ruling no longer applies (see paragraph 9). Growers may need to apply for private rulings on how paragraph 35-55(1)(b) will apply in such changed circumstances.

97. In deciding that the second arm of the discretion in paragraph 35-55(1)(b) will be exercised on this conditional basis, the Commissioner has relied upon:

- the report of the independent expert and additional evidence provided with the application by the Responsible Entity;
- independent, objective, and generally available information relating to the trufficulture industry which substantially supports cash flow projections and other

claims, including prices and costs, in the Product Ruling application submitted by the Responsible Entity.

### **Section 82KL - recouped expenditure**

98. The operation of section 82KL depends, among other things, on the identification of a certain quantum of 'additional benefits(s)'. Insufficient 'additional benefits' will be provided to trigger the application of section 82KL. It will not apply to deny the deduction otherwise allowable under section 8-1.

### **Part IVA - general tax avoidance provisions**

99. For Part IVA to apply there must be a 'scheme' (section 177A), a 'tax benefit' (section 177C) and a dominant purpose of entering into the scheme to obtain a tax benefit (section 177D).

100. The Tasmanian Truffle Project No. 1 - Supplementary Prospectus will be a 'scheme'. A Grower will obtain a 'tax benefit' from entering into the scheme, in the form of tax deductions for the amounts detailed at paragraphs 33 to 40 that would not have been obtained but for the scheme. However, it is not possible to conclude the scheme will be entered into or carried out with the dominant purpose of obtaining this tax benefit.

101. Growers to whom this Ruling applies intend to stay in the scheme for its full term and derive assessable income from the harvesting and sale of their truffles. There are no facts that would suggest that Growers have the opportunity of obtaining a tax advantage other than the tax advantages identified in this Ruling. There is no non-recourse financing or round robin characteristics, and no indication that the parties are not dealing at arm's length or, if any parties are not dealing at arm's length, that any adverse tax consequences result. Further, having regard to the factors to be considered under paragraph 177D(b) it cannot be concluded, on the information available, that participants will enter into the scheme for the dominant purpose of obtaining a tax benefit.

## **Example**

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### **Entitlement to GST input tax credits**

102. Susan, who is a sole trader and registered for GST, contracts with a manager to manage her viticulture business. Her manager is registered for GST and charges her a management fee payable every six months in advance. On 1 December 2001 Susan receives a valid tax invoice from her manager requesting payment of a management

fee in advance, and also requesting payment for an improvement in the connection of electricity for her vineyard that she contracted him to carry out. The tax invoice includes the following details:

Management fee for period 1/1/2002 to 30/6/2002	\$4 400*
Carrying out of upgrade of power for your vineyard as quoted	<u>\$2 200*</u>
Total due and payable by 1 January 2002 (includes GST of \$600)	<u>\$6 600</u>

\*Taxable supply

Susan pays the invoice by the due date and calculates her input tax credit on the management fee (to be claimed through her Business Activity Statement) as:

$$1/11 \times \$4400 = \$400.$$

Hence her outgoing for the management fee is effectively \$4400 *less* \$400, or \$4000.

Similarly, Susan calculates her input tax credit on the connection of electricity as:

$$1/11 \times \$2200 = \$200.$$

Hence her outgoing for the power upgrade is effectively \$2200 *less* \$200, or \$2000.

In preparing her income tax return for the year ended 30 June 2002, Susan is aware that the management fee is deductible in the year incurred. She calculates her management fee deduction as \$4000 (not \$4400).

Susan is aware that the electricity upgrade is deductible 10% per year over a 10 year period. She calculates her deduction for the power upgrade as \$200 (one tenth of \$2000 only, not one tenth of \$2200).

## Detailed contents list

103. Below is a detailed contents list for this Product Ruling:

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**Commissioner of Taxation**

19 December 2001

*Previous draft:*

- Not previously issued in draft form
- schemes
- tax shelters
- tax shelters project

*Related Rulings/Determinations:*

TR 92/1; TR 92/20; TR 97/11;  
 TR 97/16; TR 2000/8; PR 1999/95;  
 TD 93/34; TR 98/22, PR 2001/31;  
 IT 360

*Legislative references:*

- ITAA 1997 6-5
- ITAA 1997 8-1
- ITAA 1997 17-5
- ITAA 1997 Div 27
- ITAA 1997 35-10
- ITAA 1997 35-10(2)
- ITAA 1997 35-10(3)
- ITAA 1997 35-10(4)
- ITAA 1997 35-30
- ITAA 1997 35-35
- ITAA 1997 35-40
- ITAA 1997 35-45
- ITAA 1997 Div 35
- ITAA 1997 35-55
- ITAA 1997 35-55(1)
- ITAA 1997 35-55(1)(a)
- ITAA 1997 35-55(1)(b)
- ITAA 1997 35-55(2)
- ITAA 1997 Div 40
- ITAA 1997 Subdiv 40-F
- ITAA 1997 40-515

*Subject references:*

- carrying on a business
- commencement of business
- fee expenses
- horticulture
- irrigation expenses
- management fees expenses
- primary production
- primary production expenses
- primary production income
- producing assessable income
- product rulings
- public rulings
- schemes and shams
- tax administration
- tax avoidance
- tax benefits under tax avoidance

- |                                            |                       |
|--------------------------------------------|-----------------------|
| - ITAA 1997 40-515(1)(a)                   | - ITAA 1936 82KL(1)   |
| - ITAA 1997 40-515(1)(b)                   | - ITAA 1936 82KZL     |
| - ITAA 1997 40-520(1)                      | - ITAA 1936 82KZL(1)  |
| - ITAA 1997 40-520(2)                      | - ITAA 1936 82KZME    |
| - ITAA 1997 40-525(2)                      | - ITAA 1936 82KZME(1) |
| - ITAA 1997 40-530(2)                      | - ITAA 1936 82KZME(2) |
| - ITAA 1997 40-535                         | - ITAA 1936 82KZME(3) |
| - ITAA 1997 40-540                         | - ITAA 1936 82KZME(4) |
| - ITAA 1997 40-545                         | - ITAA 1936 82KZME(7) |
| - ITAA 1997 Div 328                        | - ITAA 1936 82KZMF    |
| - ITAA 1997 Subdiv 328-D                   | - ITAA 1936 82KZMF(1) |
| - ITAA 1997 Subdiv 328-F                   | - ITAA 1936 Pt IVA    |
| - ITAA 1997 Subdiv 328-G                   | - ITAA 1936 177A      |
| - ITAA 1997 328-105                        | - ITAA 1936 177C      |
| - ITAA 1997 328-105(1)(a)                  | - ITAA 1936 177D      |
| - ITAA 1997 328-105(1)(b)                  | - ITAA 1936 177D(b)   |
| - ITAA 1936 Subdiv H, Div 3 of<br>Part III | - TAA 1953 Part IVAAA |
| - ITAA 1936 82KH(1)                        |                       |
| - ITAA 1936 82KH(1F)(b)                    |                       |
| - ITAA 1936 82KL                           |                       |

*Case References:*

- FCT v. Lau 84 ATC 4929

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*ATO references:*

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