



# ***PR 2001/4W - Income tax: Australian Blue Gum 2001***

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 This document has changed over time. This is a consolidated version of the ruling which was published on *22 August 2012*



## Product Ruling

### Income tax: Australian Blue Gum 2001

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*[Note: This is a consolidated version of this document. Refer to the Tax Office Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]*

## Withdrawal

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1. This Product Ruling has been withdrawn in accordance with subsection 358 20(1) of Schedule 1 to the *Taxation Administration Act 1953*, which states the Commissioner may withdraw a public ruling either wholly or to an extent. Elders Forestry Management Limited (the Responsible Entity) has advised that Elders Limited has entered into a transaction which has potentially resulted in the Project being carried out in a materially different way from how it was described in Product Ruling PR 2001/4. Provided that up until the date of termination of Growers' interests in the Project land and standing timber, the Project was carried out as described in PR 2001/4, the transaction entered into does not disturb the tax treatment of Growers' previous outgoings as set out in PR 2001/4. This Withdrawal Notice sets out the tax outcomes for Growers arising as a consequence of the termination of Growers' interests in the Project land and standing timber.

2. On 18 April 2012, Elders Limited announced it had signed a conditional agreement for the sale of freehold land, assets and standing timber in Albany, Bunbury and the Green Triangle regions (the Transaction). The sale included forestry land and the Growers' standing timber.

3. On 4 June 2012, the Supreme Court of Victoria confirmed that the Responsible Entity was justified in amending the Project Constitution pursuant to paragraph 601GC(1)(b) of the *Corporations Act 2001* to enable the Transaction to proceed.

4. The Responsible Entity has provided the following documents to the ATO in relation to the Transaction:

- Affidavits of Mr Kenneth Andrew Serls dated 24 April 2012 and 3 May 2012;
- Affidavit of Mr Samuel James Davies McClure dated 24 April 2012;
- Draft Deed of surrender of Subleases;

- Independent expert's report and Financial Services Guide dated 24 April 2012;
- Grower Circular dated 3 May 2012; and
- Orders of the Supreme Court of Victoria dated 4 June 2012.

5. Land for the Project was ultimately sourced from the Albany and the Green Triangle regions and Tasmania. In accordance with paragraphs 17 and 18 of PR 2001/4, the Responsible Entity had entered into a Lease over the Project land for the purpose of the scheme. The Responsible Entity had then granted each Grower an interest in the form of a sub-lease on execution of the Forestry Management Agreement (paragraph 24 of PR 2001/4).

6. The Transaction has resulted in the termination of the Growers' interests in land and standing timber located in the Albany and Green Triangle regions during the year ending 30 June 2013. The interests of Growers with sub-leases over land in Tasmania are not subject to the Transaction. Any sales proceeds received by Growers will be taxed under different tax provisions depending on whether the Growers' interests are located in the Albany and/or Green Triangle regions or Tasmania.

## **Tax outcomes for non-Tasmanian interests**

7. Per paragraph 63 of PR 2001/4, the Grower's participation in the Project constitutes the carrying on of a business of primary production. This business activity ceased on the termination of the Growers' interests in Project land. As a consequence, the Commissioner's discretion under paragraph 35-55(1)(b) of the *Income Tax Assessment Act 1997* ITAA 19 has no application for the year ending 30 June 2013 and subsequent income years.

8. As the Growers' afforestation activities constituted the carrying on of a business prior to termination of the Lease, the standing timber on the land previously held by each Grower are considered to be trading stock of the Grower as per section 70-85 of the ITAA 1997.

9. The Growers loss of interest in the trees planted for sale results in the disposal of trading stock outside of the ordinary course of business under subsection 70-90(1) of the ITAA 1997. Where this occurs, a Grower is required by that provision to include in their assessable income (for the year ending 30 June 2013) the market value of that trading stock on the day of disposal.

10. The Responsible Entity has agreed to provide information to Growers to assist them determine the market value of standing timber for the purposes of these provisions.

**Tax outcomes for Tasmanian interests**

11. Proceeds from the sale of standing timber located in the Albany and Green Triangle regions will be deposited into the Proceeds Fund and distributed to all Growers in accordance with the Project Constitution. The proceeds received for Tasmanian interests will be assessable income under section 6-5 of the ITAA 1997.

**Tax outcomes for Growers with interests in both Tasmania and the Albany or Green Triangle regions**

12. Tax outcomes for Growers with interests both in Tasmania and the Albany and Green Triangle regions will be as outlined in paragraphs 7 to 11 above.

**Commissioner of Taxation**

17 January 2001

<i>Previous draft:</i>	- ITAA 1997 35-10(3)
Not previously issued in draft form	- ITAA 1997 35-10(4)
	- ITAA 1997 35-30
<i>Related Rulings/Determinations:</i>	- ITAA 1997 35-35
TR 92/1; TR 97/11; TR97/16;	- ITAA 1997 35-40
TD 93/34; IT 175; IT 2001;	- ITAA 1997 35-45
TR 98/22; TR 92/20; PR 1999/95;	- ITAA 1997 35-55(1)
PR 2000/18	- ITAA 1997 35-55(1)(a)
<i>Subject references:</i>	- ITAA 1997 35-55(1)(b)
- carrying on a business	- ITAA 1997 960-335
- commencement of business	- ITAA 1997 960-340
- afforestation	- ITAA 1997 960-345
- management fee expenses	- ITAA 1997 960-350
- producing assessable income	- ITAA 1936 82KL
- product rulings	- ITAA 1936 82KZL
- public rulings	- ITAA 1936 82KZL(1)
- schemes and shams	- ITAA 1936 82KZM(1)
- taxation administration	- ITAA 1936 82KZMA(4)
- tax avoidance	- ITAA 1936 82KZMB
- tax benefits under tax avoidance	- ITAA 1936 82KZMC
schemes	- ITAA 1936 82KZMD
- tax shelters	- ITAA 1936 82KZMD(2)
- tax shelters project	- ITAA 1936 82KZME
	- ITAA 1936 82KZME(1)
	- ITAA 1936 82KZME(2)
<i>Legislative references:</i>	- ITAA 1936 82KZME(3)
- ITAA 1997 6-5	- ITAA 1936 82KZME(4)
- ITAA 1997 8-1	- ITAA 1936 82KZME(7)
- ITAA 1997 17-5	- ITAA 1936 82KZMF
- ITAA 1997 Division 27	- ITAA 1936 82KZMF(1)
- ITAA 1997 35-10	- ITAA 1936 Pt IVA
- ITAA 1997 35-10(2)	- ITAA 1936 177A

# PR 2001/4

- ITAA 1936 177C
  - ITAA 1936 177D
  - ITAA 1936 177D(b)
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ATO references:

NO 2000/018758

BO

FOI number: I 1022088

ISSN: 1441-1172