

PR 2003/11A - Addendum - Income tax: Environinvest Eucalypt Project No. 6

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Addendum

Product Ruling

Income tax: Environinvest Eucalypt Project No. 6

This Addendum amends Product Ruling PR 2003/11 to reflect changes to simplified tax system legislation from 2005-06 onwards.

PR 2003/11 is amended as follows:

1. Paragraph 46

Replace the paragraph with:

46. To be an 'STS taxpayer' a Grower must be eligible to be an 'STS taxpayer' and must have elected to be an 'STS taxpayer'. Changes to the STS rules apply from 1 July 2005. From that date, STS taxpayers may use the accruals accounting method. For a Grower participating in the Project, the recognition of income and the timing of tax deductions where the Grower uses the cash accounting method under the STS is different.

2. Paragraph 53

After the paragraph insert:

53A. For the 2005-06 income year and later years, a Grower's ordinary income from carrying on a business of afforestation will be assessable in the income year in which that income is derived where that Grower uses the accruals accounting method, or in the income year in which that income is received where that Grower uses the cash accounting method.

3. Paragraph 55

(a) In Note (xi), replace the first sentence with:

For the 2002-03 to 2004-05 income years, an amount shown in the table above is deductible in full in the year that it is paid where the Grower is an 'STS taxpayer'. For the 2005-06 income year, an amount shown in the table above is deductible in full in the year that it is incurred where the Grower is an 'STS taxpayer' using the accruals accounting method, or in the year that it is paid where the Grower is an 'STS taxpayer' using the cash accounting method.

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(b) In Note (xii), replace the second and third sentences with:

Unless the amount of the interest is 'excluded expenditure' (see paragraph 85):

- for the 2003-04 and 2004-05 income years, such interest is **NOT** deductible in full in the year that it is paid where the Grower is an 'STS taxpayer'; or
- for the 2005-06 income year, such interest is **NOT** deductible in full in the year that it is incurred where the Grower is an 'STS taxpayer' using the accruals accounting method or in the year that it is paid where the Grower is an 'STS taxpayer' using the cash accounting method.

The deduction for the interest paid in advance each year must be determined using the formula in subsection 82KZMF(1) (see paragraph 86).

(c) In Note (xiii), replace the second sentence with:

For the 2002-03 to 2004-05 income years, such interest is deductible in full in the year that it is paid where the Grower is an 'STS taxpayer'. For the 2005-06 income year, such interest is deductible in full in the year that it is incurred where the Grower is an 'STS taxpayer' using the accruals accounting method, or in the year that it is paid where the Grower is an 'STS taxpayer' using the cash accounting method.

4. Paragraph 99

Replace the paragraph with:

99. A Grower who is an 'STS taxpayer' who uses the cash accounting method can claim an immediate deduction for each of the relevant fees in the income year in which the fee is paid. A Grower who is not an 'STS taxpayer' or an 'STS taxpayer' who uses the accruals accounting method (for the 2005-06 income year) can, therefore, claim an immediate deduction for the Maintenance Fee and the Lease Rental in the income year in which the fee is incurred.

5. Paragraph 105

Insert after 'whether a Grower is an STS taxpayer':

using the cash accounting method, an 'STS taxpayer' using the accruals accounting method (for the 2005-06 income year)

6. Paragraph 106

Replace the paragraph with:

106 If the Grower is not an 'STS taxpayer' or an 'STS taxpayer' who uses the accruals accounting method (for the 2005-06 income year), interest is deductible in the year in which it is incurred. If the Grower is an 'STS taxpayer' who uses the cash accounting method, interest is not deductible until it has been both incurred and paid. If interest 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.

7. Paragraph 107

In the third sentence, insert after 'for Growers who are 'STS taxpayers':

using the cash accounting method

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

16 November 2005

ATO references

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