

PR 2003/30A - Addendum - Income tax: Brooklyn Park Organic Olive Groves Project No. 3

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Addendum

Product Ruling

Income tax: Brooklyn Park Organic Olive Groves Project No. 3

This Addendum amends Product Ruling PR 2003/30 to reflect changes to the simplified tax system legislation from 1 July 2005.

PR 2003/30 is amended as follows:

1. Paragraph 67

Omit the paragraph and substitute:

67. 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 is different under the STS where the Grower uses the cash accounting method.

2. Paragraph 74

Omit the paragraph and substitute:

74. A Grower who is an 'STS taxpayer' using the cash accounting method will recognise ordinary income from carrying on their business of olive growing in the income year in which that income is received.

3. After Paragraph 74

Insert:

74A. For the 2005-06 and later income years, a Grower who is an 'STS taxpayer' using the accruals accounting method will recognise ordinary income from carrying on their business of olive growing in the income year in which that income is derived.

4. Paragraph 75

Omit the first sentence of Note (viii) and substitute:

If, for any reason, an amount referred to or shown in the Table above is not fully paid in the income year in which it is incurred by a Grower who is an 'STS taxpayer' using the cash accounting method, then the amount is only deductible to the extent to which it has been paid, or has been paid for the Grower.

5. Paragraph 75

Omit Note (ix) and substitute:

- (ix) The Management Fee and the Licence Fees as required by the Management Agreement and the Licence to Occupy Agreement are deductible in full in the income year in which:
- they are paid where the Grower is an 'STS taxpayer' using the cash accounting method; or
 - they are incurred for the 2005-06 and later income years, where the Grower is an 'STS taxpayer' using the accruals accounting method. (See paragraphs 54 to 56 for examples of how the management fees are calculated).

6. Paragraph 106

Omit the paragraph and substitute:

106. In the absence of any application of the prepayment provisions, the timing of deductions for the Management Fees or the Licence Fees will depend upon whether the Grower is:

- an 'STS taxpayer' using the cash accounting method;
- an 'STS taxpayer' using the accruals accounting method; or
- not an 'STS taxpayer'.

7. Paragraph 107

Omit the paragraph and substitute:

107. The Management Fees and Licence Fees are deductible in the income year in which it is incurred if:

- the Grower is not an 'STS taxpayer'; or
- the Grower is an 'STS taxpayer' using the accruals accounting method.

8. Paragraph 108

Omit the first sentence and substitute:

If the Grower is an 'STS taxpayer' using the cash accounting method, the Management Fees and Licence Fees are deductible in the income year in which they are paid, or are paid for the Grower.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

5 October 2005

ATO references

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