

# ***PR 2003/41A - Addendum - Income tax: West Coast Hardwood - Resale Offer***

 This cover sheet is provided for information only. It does not form part of *PR 2003/41A - Addendum - Income tax: West Coast Hardwood - Resale Offer*

 View the [consolidated version](#) for this notice.



## Addendum

---

### Product Ruling

### Income tax: West Coast Hardwood – Resale Offer

This Addendum amends Product Ruling PR 2003/41 to reflect changes to the simplified tax system legislation from the 2005-06 income year onwards.

#### **PR 2003/41 is amended as follows:**

##### **1. Paragraph 2**

Insert dot point:

- Division 328 of the *Income Tax (Transitional Provisions) Act 1997*;

##### **2. Paragraph 48**

After the paragraph insert:

48A. Changes to the STS rules apply from 1 July 2005. From that date, 'STS taxpayers' may use the accruals accounting method. For a Member participating in the Project, the recognition of income and the timing of tax deductions is different depending on whether the Member who was an 'STS taxpayer' prior to 1 July 2005 continues to use the cash accounting method (called the 'STS accounting method') – see sections 328-120 and 328-125 of the *Income Tax (Transitional Provisions) Act 1997*.

##### **3. Paragraph 51**

Omit the paragraph; substitute:

51. Other than Growers referred to in paragraph 52 of this Ruling, a Grower recognises ordinary income from carrying on their business of afforestation in the year in which the income is derived.

# PR 2003/41

## 4. Paragraph 52

Omit the paragraph; substitute:

52. A Grower who is an 'STS taxpayer' or an 'STS taxpayer' using the cash accounting method for the 2005-06 year and later recognises ordinary income from carrying on their business of afforestation in the year in which the income is received.

## 5. Paragraph 54

Omit the paragraph and the following table and notes; substitute:

54. However, if for any reason, an amount shown or referred to in the Tables below is not fully paid in the year in which it is incurred by a Grower who is an 'STS taxpayer' or an 'STS taxpayer' using the cash accounting method for the 2005-06 year and later, such as the deposit arrangement described at paragraph 35 of this Ruling, then the amount is only deductible to the extent to which it has been paid, or has been paid on behalf the Grower.

### 2003 Growers

Fee Type	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005
<b>Initial Management Fee</b>	\$4,620 See Notes (i) & (ii)		
<b>Annual Fee</b>		\$1,338 See Notes (i), (iii) & (iv)	\$1,375 See Notes (i), (iii) & (iv)
<b>Lease Fee (Rent)</b>	\$385 See Notes (i), (iii) & (iv)	\$385 (indexed) See Notes (i), (iii) & (iv)	\$385 (indexed) See Notes (i), (iii) & (iv)

### 2004 Growers

Fee Type	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006
<b>Initial Management Fee</b>	\$4,620 See Notes (i) & (ii)		
<b>Annual Fee</b>		\$1,338 See Notes (i), (iii) & (iv)	\$1,375 See Notes (i), (iii) & (iv)
<b>Lease Fee (Rent)</b>	\$385 See Notes (i), (iii) & (iv)	\$385 (indexed) See Notes (i), (iii) & (iv)	\$385 (indexed) See Notes (i), (iii) & (iv)

**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 (for example, input tax credits): Division 27. See Example at paragraph 119 of this Ruling.
- (ii) The Initial Management Fee of \$5,170 contains an amount of \$550 identified as non-deductible capital expenditure. See paragraph 86 of this Ruling.
- (iii) Where the Grower is **not** an '**STS taxpayer**' or is a '**STS taxpayer**' using the accruals accounting method for the 2005-06 year and later, the Initial Management Fee, Annual Fee and Rent incurred by a Grower are, to the extent shown in the Tables above, for services to be provided within the expenditure year and are deductible in the year in which they are incurred. Where the Grower is an '**STS taxpayer**' (for the 2004-05 income year) or an '**STS taxpayer**' using the cash accounting method (for the 2005-06 and later income years) these Fees will be deductible in the year in which they are paid.
- (iv) If a Grower chooses to prepay fees for the doing of a thing (for example, 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 94 of this Ruling 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.

**6. Paragraph 99**

Omit the paragraph; substitute:

99. A Grower who is an 'STS taxpayer' or an 'STS taxpayer' using the cash accounting method for the 2005-06 year and later can, therefore, 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 who is an 'STS taxpayer' using the accruals accounting method for the 2005-06 year and later can claim an immediate deduction for each of the relevant fees in the income year in which the fee is incurred.

# PR 2003/41

This Addendum applies on and from 1 July 2005.

---

**Commissioner of Taxation**

28 June 2006

---

ATO references

NO: 2005/18404

ISSN: 1441-1172

ATOlaw topic: Income Tax ~~ Product ~~ timber