

# ***PR 2004/1A - Addendum - Income tax: 2004 Timbercorp Eucalypts Project - Prepayment Growers***

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# Addendum

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## Product Ruling

### Income tax: 2004 Timbercorp Eucalypts Project – Prepayment Growers

This Addendum amends Product Ruling PR 2004/1 to reflect changes to simplified tax system legislation from 2005-06 onwards.

#### **PR 2004/1 is amended as follows:**

**1. Paragraph 58**

Replace the paragraph with:

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

**2. Paragraph 61**

Replace the paragraph with:

61. Other than Growers referred to in paragraph 62, a Grower is assessable on ordinary income from carrying on their business of afforestation in the year in which the income is derived.

**3. Paragraph 62**

Replace the paragraph with:

62. A Grower who is an 'STS taxpayer' (for the 2003-04 and 2004-05 income years) or an 'STS taxpayer' using the cash accounting method (for the 2005-06 income year and later years) is assessable on ordinary income from carrying on their business of afforestation in the year in which the income is received.

## 4. Paragraph 63

(a) In the table, in the row titled 'Interest paid to Timbercorp Finance Pty Ltd' and in the last column titled 'Year ended 30 June 2006', replace the content with:

As incurred (**Non-STS taxpayers & STS taxpayers using accruals accounting method**) Or as paid (**STS taxpayers using cash accounting method**) See Notes (iv) & (v) below

(b) Replace Note (iii) with:

(iii) Where the Grower is **not an 'STS taxpayer'** or is an **'STS taxpayer' using the accruals accounting method** (for the 2005-06 income year), the fees for Plantation Services and the Rent shown in the table above are deductible in the year in which they are incurred.

Where the Grower is an **'STS taxpayer'** (for the 2003-04 and 2004-05 income years) or an **'STS taxpayer' using the cash accounting method** (for the 2005-06 income year), the fees for Plantation Services and the Rent shown in the table above are deductible in full in the year in which they are paid.

## 5. Paragraph 65

(a) Replace the paragraph with:

65. Where either or both the first Joint Venture Grower or the second Joint Venture Grower **is** an 'STS taxpayer', the deductions referred to in paragraphs 63 and 64, other than the borrowing expenses, are deductible as follows:

- for the 2003-04 and 2004-05 income years, in the income year in which they are paid; and
- for the 2005-06 income year, in the income year in which they are incurred where the Joint Venture Grower is an 'STS taxpayer' using the accruals accounting method or in the income year in which they are paid where the Joint Venture Grower is an 'STS taxpayer' using the cash accounting method.

(b) Insert after the paragraph:

65A. Borrowing costs for Joint Venture Growers who are 'STS taxpayers' remain deductible under section 25-25 in the years shown in the Table above. Each Joint Venturer Grower may also claim deductions for its share of the harvest, supervision and incentive fees.

**6. Paragraph 101**

Replace the paragraph with:

101. Under the Arrangement to which this Product Ruling applies fees for Plantation Services and Rent are incurred annually and interest payable to Timbercorp Finance is incurred monthly. Accordingly, the prepayment provisions in sections 82KZME to 82KZMG have no application to this Arrangement. A Grower who is an 'STS taxpayer' using the cash accounting method can, therefore, claim an immediate deduction for each of the relevant amounts in the income year in which the amount is paid. A Grower who is not an 'STS taxpayer' or an 'STS taxpayer' using the accruals accounting method can claim an immediate deduction for each of the relevant amounts in the income year in which the fee is incurred.

This Addendum applies on and from 1 July 2005.

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**Commissioner of Taxation**  
23 November 2005

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## ATO references

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