

PR 2004/62A - Addendum - Income tax: Australian Cricket Bat Willow Project - Product Disclosure Statement 2004

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Addendum

Product Ruling

Income tax: Australian Cricket Bat Willow Project – Product Disclosure Statement 2004

This Addendum amends Product Ruling PR 2004/62 to reflect changes to simplified tax system legislation from 2005/06 onwards.

PR 2004/62 is amended as follows:

1. Paragraph 53

Replace the paragraph with:

53. 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 56

Replace the paragraph with:

56. Other than Growers referred to in paragraph 57, a Grower recognises ordinary income from carrying on their business of afforestation in the year in which the income is derived.

3. Paragraph 57

Replace the paragraph with:

57. 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 and later income years) recognises ordinary income from carrying on their business of afforestation in the year in which the income is received.

PR 2004/62**4. Paragraph 58**

Omit the paragraph.

5. Paragraph 59

Omit the paragraph.

6. Paragraph 60

(a) Replace the table with:

2004 Growers

Fee Type	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006
Plantation Establishment Services Fee	\$5335 See Notes (i) & (ii)	nil	nil
Initial Maintenance Services Fee	\$110 See Notes (i) & (ii)	nil	nil
Annual management fee	nil	nil	\$220 See Notes (i) (iii) & (vii)
Initial Rent	Must be calculated See Notes (i) & (iv)	nil	nil
Annual Rent	nil	nil	\$55 See Notes (i) (v) & (vii)
Interest payable to APF Pty Ltd under Loan Agreements	As incurred (Non-STS taxpayers); or As paid (STS taxpayers) See Notes (vi) (vii) & (viii)	As incurred (Non-STS taxpayers); or As paid (STS taxpayers) See Notes (vi) (vii) & (viii)	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting method); or As paid (STS taxpayers using cash accounting method) See Notes (vi) (vii) & (viii)
Loan application fee	Must be calculated – See Note (ix)	Must be calculated – See Note (ix)	Must be calculated – See Note (ix)

2005 Growers

Fee Type	Year ended 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2007
Plantation Establishment Services Fee	\$5335 See Notes (i) & (ii)	nil	nil
Initial Maintenance Services Fee	\$110 See Notes (i) & (ii)	nil	nil
Annual management fee	nil	nil	\$220 See Notes (i) (iii) & (vii)
Initial Rent	Must be calculated See Notes (i) & (iv)	nil	nil
Annual Rent	nil	nil	\$55 See Notes (i) (v) & (vii)
Interest payable to APF Pty Ltd under Loan Agreements	As incurred (Non-STS taxpayers); or As paid (STS taxpayers) See Notes (vi) (vii) & (viii)	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting method); or As paid (STS taxpayers using cash accounting method) See Notes (vi) (vii) & (viii)	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting method); or As paid (STS taxpayers using cash accounting method) See Notes (vi) (vii) & (viii)
Loan application fee	Must be calculated – See Note (ix)	Must be calculated – See Note (ix)	Must be calculated – See Note (ix)

(b) Replace Note (iii) with:

- (iii) The annual management fee is deductible in the income year in which it is incurred (where the Grower is **not** an 'STS taxpayer' or an 'STS taxpayer' using the accruals accounting method) or the year in which it is paid (where the Grower is an 'STS taxpayer' using the cash accounting method).

(c) Replace Note (v) with:

(v) The annual Rent of \$55 per Unit first payable on 1 August 2005 (for 2004 Growers) and 1 August 2006 (for 2005 Growers) is deductible in the income year in which it is incurred (where the Grower is **not an 'STS taxpayer'** or an **'STS taxpayer' using the accruals accounting method**) or in the year in which it is paid (where the Grower is an **'STS taxpayer' using cash accounting method**).

(d) In Note (vi), replace the second sentence with:

For the 2003-04 and 2004-05 income years, such interest is deductible in the income year in which it is incurred (where the Grower is **not an 'STS taxpayer'**) or in the income year it is paid (where the Grower is an **'STS taxpayer'**). For the 2005-06 and 2006-07 income years, the interest is deductible in the income year in which it is incurred (where the Grower is **not an 'STS taxpayer'** or an **'STS taxpayer' using the accruals accounting method**) or in the income year in which it is paid (where the Grower is an **'STS taxpayer' using the cash accounting method**).

7. Paragraph 82

Replace the paragraph with:

82. The interest incurred will be in respect of a loan to finance the Grower's business operations – the cultivation and growing of trees – that will continue to be directly connected with the gaining of 'business income' from the Project. Such interest will therefore have a sufficient connection with the gaining of assessable income to be deductible under section 8-1 in the income year in which it is incurred (where the Grower is **not** an **'STS taxpayer'** or an **'STS taxpayer'** using the accruals accounting method) or the income year in which it is paid (where the Grower is an **'STS taxpayer'** using the cash accounting method).

8. Paragraph 97

Replace the Paragraph with:

97. Where a Grower pays the annual management fee, the annual Rent or the interest under the loan facility with APF Pty Ltd, as required under the relevant Agreement, section 82KZME and 82KZMF will have no application. 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

Commissioner of Taxation

23 November 2005

ATO references

NO: 2003/11684

ISSN: 1441-1172

ATOlaw topic: Income Tax ~~ Product ~~ timber