


PR 2004/85A - Addendum - Income tax: Northern Rivers Coffee Project No. 3 (Second Supplementary Product Disclosure Statement) - Post 31 January 2005 Growers

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Addendum

Product Ruling

Income tax: Northern Rivers Coffee Project No. 3 (Second Supplementary Product Disclosure Statement) – Post 31 January 2005 Growers

This Addendum amends Product Ruling PR 2004/85 to reflect changes to simplified tax system legislation from 1 July 2005.

PR 2004/85 is amended as follows:

1. Paragraph 59

Replace the paragraph with:

59. 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 62

Replace the paragraph with:

62. Other than Growers referred to in paragraph 63, a Grower recognises ordinary income from carrying on the business of horticulture at the time that income is derived.

3. Paragraph 63

Replace the paragraph with:

63. A Grower who is an 'STS taxpayer' (for the 2004-05 income year) or an 'STS taxpayer' continuing to use the cash accounting method (for the 2005-06 and later income years) recognises ordinary income from carrying on the business of horticulture at the time that income is received.

4. Paragraph 65

Replace the first two sentences with:

However, if for any reason, an amount shown or referred to in the Table below is not fully paid in the year in which it is incurred by a Grower who is an 'STS taxpayer' (for the 2004-05 income year) or an 'STS taxpayer' using the cash accounting method (for the 2005-06 and 2006-07 income years), then the amount is only deductible to the extent to which it has been paid, or has been paid for the Grower. Any amount or part of an amount shown in the Table below which is not paid in the year in which it is incurred will be deductible in the year which it is actually paid.

5. Paragraph 65

Replace Notes (ii) & (iv) with:

- (ii) For the 2004-05 income year, only that part of the Initial Management Fee and Licence Fees shown in the Table above is deductible in full in the year that it is incurred (where the Grower is not an 'STS taxpayer') or the year in which it is paid (where the Grower is an 'STS taxpayer').
- (iv) For the 2005-06 income year and later years, where a Grower pays the Ongoing Maintenance Fees and the Licence Fees in the relevant income years show in the Management Agreement and the Licence Agreement those fees are deductible in full in the year that they are incurred where the Grower is not an 'STS taxpayer' or, is an 'STS taxpayer' using the accruals accounting method.

For the 2005-06 income year and later years, where a Grower pays the Ongoing Maintenance Fees and the Licence Fees in the relevant income years show in the Management Agreement and the Licence Agreement those fees are deductible in full in the year that they are paid where the Grower is an 'STS taxpayer' using the cash accounting method.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

31 May 2006

ATO references

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