

PR 2005/14A - Addendum - Income tax: FEA Plantations Project 2005 - 2006 Growers

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Addendum

Product Ruling

Income tax: FEA Plantations Project 2005 – 2006 Growers

This Addendum amends Product Ruling PR 2005/14 to reflect changes to simplified tax system legislation from 2005-06 onwards.

PR 2005/14 is amended as follows:

1. Paragraph 52

Replace the paragraph with:

52. 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 55

Replace the paragraph with:

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

3. Paragraph 56

Replace the paragraph with

56. A Grower who is an 'STS taxpayer' using the cash accounting method is assessable on ordinary income from carrying on their business of afforestation at the time the income is received.

PR 2005/14**4. Paragraph 57**

(a) Replace table with:

Fee Type	Year ended 30 June 2006	Year ended 30 June 2007	Year ended 30 June 2008
'Plantation Establishment Services'	\$3,300 See Notes (i) & (ii)	nil	nil
Interest payable to FEA Ltd under Loan Agreements	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting) Or as paid (STS taxpayers using cash accounting) See Notes (iii) & (iv)	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting) Or as paid (STS taxpayers using cash accounting) See Notes (iii) & (iv)	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting) Or as paid (STS taxpayers using cash accounting) See Notes (iii) & (iv)

(b) Replace Note (ii) with:

- (ii) Under section 82KZMG the Plantation Establishment Fee is expenditure for 'seasonally dependent agronomic activities' (see paragraph 84) and 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'**).

5. Paragraph 79

Replace the last sentence with:

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 accruals accounting method'**) or the income year in which it is paid (where the Grower is an **'STS taxpayer using cash accounting method'**).

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

2 November 2005

ATO references

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