

PR 2005/3A - Addendum - Income tax: TFS Sandalwood Project 2005 (Pre 30 June Growers)

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Addendum

Product Ruling

Income tax: TFS Sandalwood Project 2005 (Pre 30 June Growers)

This Addendum amends Product Ruling PR 2005/3 to reflect:

- an increase in the total number of hectares available for cultivation under the Project from 150 hectares to 175 hectares; and
- changes to the simplified tax system legislation from 2005/06 onwards.

PR 2005/3 is amended as follows:

1. Paragraph 14

Insert the following dot point:

- Additional correspondence received 14 and 17 June 2005.

2. Paragraph 17

In the row of the table titled 'Number of hectares available for cultivation under this offer omit '150' and substitute '175'.

3. Paragraph 19

Omit the first sentence and substitute:

This offer is for 175 hectares representing 350 Sandalwood Lots.

4. After paragraph 68

Insert new paragraph 68A:

68A. 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.

5. Paragraph 71

Omit the paragraph and substitute:

71. Other than Growers referred to in paragraph 72, for the 2005-06 income year and later years, a Grower will be assessable on ordinary income from carrying on their business of afforestation in the income year in which that income is derived.

6. Paragraph 72

Omit the paragraph and substitute:

72. For the 2005-06 income year and later years, a Grower who is an 'STS taxpayer' using the cash accounting method will be assessable on ordinary income from carrying on their business of afforestation in the income year in which that income is received.

7. Paragraph 75

Omit the paragraph and substitute:

75. However, if for any reason, an amount shown or referred to in the following Table is not fully paid in the year in which it is incurred by a Grower who is an 'STS taxpayer' (for the 2005 income year) or an 'STS taxpayer' using the cash accounting method (for the 2006 and 2007 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 which is not paid in the year in which it is incurred will be deductible in the year in which it is actually paid.

8. Paragraph 76

(a) Omit the row of the Table titled 'Interest' and substitute:

Interest	8-1	As incurred (Non-STSTaxpayers) or as paid (STSTaxpayers) See note (iv)	As incurred (Non-STSTaxpayers and STSTaxpayers using accruals accounting) Or As paid (STSTaxpayers using cash accounting) See note (iv)	As incurred (Non-STSTaxpayers and STSTaxpayers using accruals accounting) Or As paid (STSTaxpayers using cash accounting) See note (iv)
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- (b) Omit Note (iii) and substitute:

For the 2006-07 income year and later years, where a Grower pays the Rent and Annual Fee shown in the Lease and Management 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 2006-07 income year and later years, where a Grower pays the Rent and Annual Fee shown in the Lease and Management 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**.

However, **no deduction is available in a year in which the Rent and Annual Fee have been deferred**, (refer to paragraph 80).

- (c) Omit the last sentence in Note (iv) and substitute:

Interest paid to Arwon Finance Pty Ltd is deductible as outlined in the Table above.

9. Paragraph 78

- (a) Omit the row of the table titled 'Interest' and substitute:

Interest	8-1	As incurred (Non-STS taxpayers) or as paid (STS taxpayers) See note (iv)	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting) or as paid (STS taxpayers using cash accounting) See note (iv)	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting) or as paid (STS taxpayers using cash accounting) See note (iv)
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- (b) Omit the first sentence in Note (v) and substitute:

The prepaid Rent and management fees described in paragraph 44 are **NOT** deductible in full in the year incurred **(non-'STS taxpayers' and 'STS taxpayers' using accruals accounting)** or the year in which they are paid by, or on behalf of an **'STS taxpayer' using cash accounting**.

This Addendum applies on and from 29 June 2005.

PR 2005/3

Commissioner of Taxation

29 June 2005

ATO references

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