


# ***PR 2005/51A - Addendum - Income tax: Australian Oak - 2005 Growers***

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# Addendum

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## Product Ruling

### Income tax: Australian Oak – 2005 Growers

This Addendum amends Product Ruling PR 2005/51 to reflect changes to simplified tax system legislation from 2005/06 onwards.

#### **PR 2005/51 is amended as follows:**

##### **1. Paragraph 45**

Omit the paragraph and substitute:

45. 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. Before Paragraph 50**

Omit the first Heading and substitute:

**Tax outcomes for growers who are 'STS taxpayers' using the cash accounting method**

##### **3. Paragraph 52**

Omit the first sentence and substitute:

A Grower who is an 'STS taxpayer' using the cash accounting method may claim tax deductions for the following revenue expenses on a per Timber Lot basis:

**4. After Paragraph 52**

Insert:

**Tax outcomes for Growers who are 'STS taxpayers' using the accruals accounting method****Assessable income****Section 6-5**

52A. That part of the gross harvest proceeds from the Project attributable to the Grower's produce, less any GST payable on those proceeds (section 17-5), will be assessable income of the Grower under section 6-5.

52B. The Grower recognises ordinary income from carrying on the business of afforestation at the time the income is derived.

**Deductions for Initial Management Fee and the Annual Fee****Section 8-1**

52C. A Grower who is an 'STS taxpayer' using the accruals accounting method may claim tax deductions for the following revenue expenses on a per Timber Lot basis:

<b>Fee Type</b>	<b>ITAA 1997 Sections</b>	<b>Year ended 30 June 2006</b>	<b>Year ended 30 June 2007</b>
<b>Annual Fee</b>	8-1		\$330.00 indexed See Notes (viii) & (ix)
<b>Rent</b>	8-1	\$198.00 See Notes (viii) & (ix)	\$198.00 indexed See Notes (viii) & (ix)

**Notes:**

- (viii) If the Grower is registered or required to be registered for GST, amounts of outgoing would need to be adjusted as relevant for GST (for example input tax credits): Division 27. See Example 1 at paragraph 95.
- (ix) Where a Grower who is an 'STS taxpayer', pays the Annual Fee and the Rent in the relevant income years shown in the Lease and Management Agreement, those fees are deductible in full in the year that they are incurred.

This Addendum applies on and from 1 July 2005.

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**Commissioner of Taxation**

28 September 2005

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ATO references

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