


# ***PR 2006/62A - Addendum - Income tax: Rewards Group Teak Project 2006 (Post 30 June Growers)***

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# Addendum

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## Product Ruling

### Income tax: Rewards Group Teak Project 2006 (Post 30 June Growers)

This Addendum amends Product Ruling PR 2006/62 to include a 5 year Principal and Interest loan option offered by Rewards Projects Limited.

#### **PR 2006/62 is amended as follows:**

##### **1. Paragraph 18**

Add the following dot point:

- Additional correspondence, dated 23 October 2006;

##### **2. Paragraph 51**

Omit the paragraph; substitute:

51. Growers may fund their participation in the Project themselves, through a Terms Payment Option with Rewards Projects Limited, through finance provided by Rewards Projects Limited or the Nominated Financier or borrow from an independent lender.

##### **3. Paragraph 55**

After the paragraph insert:

55A. Rewards Projects Limited will offer a 5 year principal and interest loan on terms equal to those offered by the Nominated Financier.

##### **4. Paragraph 56**

Omit the paragraph; substitute:

56. Growers may fund their participation in the Land Trust themselves, through finance provided by Rewards Projects Limited or the Nominated Financier, or borrow from an independent lender.

**PR 2006/62****5. Paragraph 59**

After the paragraph insert:

59A. Rewards Projects Limited will offer a 5 year principal and interest loan on terms equal to those offered by the Nominated Financier.

**6. Paragraph 63**

Omit the final dot point; substitute:

- entities associated with the Project other than Rewards Projects Limited and the Nominated Financier are involved or become involved, in the provision of finance for the Project.

**7. Paragraph 72**

Omit the paragraph; substitute:

72. A Grower may claim tax deductions under section 8-1 for the expenses in the following Tables.

***Rewards Group Teak Project 2006***

Fee Type	ITAA 1997 Section	Year Ended 30 June 2007	Year Ended 30 June 2008	Year Ended 30 June 2009
Initial Fee	8-1	\$6,600 See Notes (i) & (ii)		
Interest	8-1	As incurred See Note (iii)	As incurred See Note (iii)	As incurred See Note (iii)
Loan Application Fee	25-25	Must be calculated See Note (iv)	Must be calculated See Note (iv)	Must be calculated See Note (iv)

***Deductions for Participation in the Land Trust***

Fee Type	ITAA 1997 Section	Year Ended 30 June 2007	Year Ended 30 June 2008	Year Ended 30 June 2009
Interest	8-1	As incurred See Note (iii)	As incurred See Note (iii)	As incurred See Note (iii)
Loan Application Fee	25-25	Must be calculated See Note (iv)	Must be calculated See Note (iv)	Must be calculated See Note (iv)
Administration Fee (for 12 Month loan provided by Rewards Projects Ltd)	25-25	Must be calculated See Note (iv)	Must be calculated See Note (iv)	Must be calculated See Note (iv)

**Notes:**

- (i) 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.
- (ii) The Initial Fee is expenditure for 'seasonally dependent agronomic activities' and is deductible in the income year in which it is incurred (see paragraphs 107 to 111 of this Ruling); and is deductible under section 8-1 in the income year in which it is incurred.
- (iii) Interest payable under the finance options described at paragraphs 51 to 63 of this Ruling will be deductible when incurred.
- (iv) The Loan Application Fee and the Administration Fee payable (under the 12 Month Loan offered by Rewards Projects Ltd) are borrowing costs and are deductible under section 25-25. They are incurred for borrowing moneys that are used or are to be used during that income year for income producing purposes. The deduction is spread over the period of the loan or 5 years, whichever is the shorter.

**8. Paragraph 73**

Omit the paragraph; substitute:

73. The deductibility of interest incurred by Growers who finance their participation in the Project through a finance arrangement other than the finance arrangements offered by Rewards Projects Limited or the Nominated Financier and described at paragraphs 51 to 63 of this Ruling, is outside the scope of this Ruling. However all Growers who borrow funds in order to participate in the Project, should read the discussion of the prepayment rules in paragraphs 99 to 106 of this Ruling as those rules may be applicable if interest is prepaid. Subject to the 'excluded expenditure' exception, the prepayment rules apply whether the prepayment is required under the relevant loan agreement or is at the Grower's choice.

## 9. Paragraph 114

- (a) Omit heading (i) above Paragraph 114; substitute:

*(i) Growers who enter into finance arrangements with Rewards Projects Limited or the Nominated Financier*

- (b) Omit the paragraph; substitute:

114. Some Growers may finance their participation in the Project by borrowing funds from Rewards Projects Limited or the Nominated Financier. Whether the resulting interest costs are deductible under section 8-1 depends on the same reasoning as that applied to the deductibility of lease and management fees.

This Addendum applies on and from 6 December 2006.

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**Commissioner of Taxation**

6 December 2006

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ATO references

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