PR 1999/76 - Income tax: Dalby Paulownia Plantation No 1, Stage 1

This cover sheet is provided for information only. It does not form part of *PR 1999/76 - Income tax: Dalby Paulownia Plantation No 1, Stage 1*

This document has changed over time. This is a consolidated version of the ruling which was published on *23 June 1999*

Generated on: 2 November 2026, 06:15:40 AM

Product Ruling
Income tax: Dalby Paulownia Plantation No 1, Stage 1

Contents Para

What this Product Ruling is about 1
Date of effect 9
Withdrawal 11
Arrangement 12
Ruling 27
Explanations 32
Detailed contents list 55

Preamble

*The number, subject heading, and the **What this Product Ruling is about** (including **Tax law(s)**, **Class of persons** and **Qualifications** sections), **Date of effect**, **Withdrawal**, **Arrangement** and **Ruling** parts of this document are a 'public ruling' in terms of Part IVAAA of the **Taxation Administration Act 1953**. Product Ruling PR 98/1 explains Product Rulings and Taxation Rulings TR 92/1 and TR 97/16 together explain when a Ruling is a public ruling and how it is binding on the Commissioner.*

What this Product Ruling is about

1. This Ruling sets out the Commissioner's opinion on the way in which the 'tax law(s)' identified below apply to the defined class of persons, who take part in the arrangement to which this Ruling relates. In this Ruling this arrangement is sometimes referred to as The Dalby Paulownia Plantation No 1, Stage 1, or just simply as 'the Project', or the 'product'.

Tax law(s)

2. The tax law(s) dealt with in this Ruling are:

- section 6-5 of the *Income Tax Assessment Act 1997* ('ITAA 1997').
- section 8-1 of the ITAA 1997;
- section 82 KL of the *Income Tax Assessment Act 1936* ('ITAA 1936');
- section 82KZM of the ITAA 1936; and
- Part IVA of the ITAA 1936.

Class of persons

3. The class of persons to whom this Ruling applies is those who enter into the arrangement described below on or after the date this Ruling is made. They will have a purpose of staying in the

arrangement until it is completed (i.e., being a party to the relevant agreements until their term expires), and deriving assessable income from this involvement as set out in the description of the arrangement. In this Ruling these persons are referred to as 'Growers'.

4. The class of persons to whom this Ruling applies does not include persons who choose to maintain and operate their own woodlots, those who intend to terminate their involvement in the arrangement prior to its completion, or who otherwise do not intend to derive assessable income from it.

Qualifications

5. **Commercial Viability:** The Ruling provides this specified class of persons with a binding ruling as to the tax consequences of this product. The Commissioner accepts no responsibility in relation to the commercial viability of this product, and gives no assurance the prices charged for the product are reasonable, appropriate, or represent industry norms. A financial (or other) adviser should be consulted for such information.

6. **Precise Arrangement:** The Commissioner rules on the precise arrangement identified in the Ruling.

7. The class of persons defined in the Ruling may rely on its contents, provided the arrangement (described below at paragraphs 12 to 30) is carried out in accordance with details described in the Ruling. If the arrangement described in the Ruling is materially different from the arrangement that is actually carried out:

- the Ruling has no binding effect on the Commissioner, as the arrangement entered into is not the arrangement ruled upon; and
- the Ruling will be withdrawn or modified.

Note: A material difference may arise in relation to a variation in the facts of the arrangement described in the Ruling. It may also arise in circumstances where the person otherwise included in the class of persons enters into the arrangement as described, but also enters into transactions or arrangements (including financing arrangements) that, when viewed as a whole with the arrangement described in the Ruling, will produce a different taxation consequence for the arrangement. This might include, for example, where the Participant borrows to enter into the arrangement by way of a limited or non-recourse loan and the overall consequence might be that the arrangement is one that would have attracted the application of a tax avoidance provision.

8. A Product Ruling may only be reproduced in its entirety. Extracts may not be reproduced. As each Product Ruling is copyright, apart from any use as permitted under the *Copyright Act 1968*, no

Product Ruling may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to the Manager, Legislative Services, AusInfo, GPO Box 1920, Canberra ACT 2601.

Date of effect

9. This Ruling applies prospectively from 23 June 1999, the date this Ruling is made. However, the Ruling does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of issue of the Ruling (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

10. If a taxpayer has a more favourable private ruling (which is legally binding), the taxpayer can rely on the private ruling if the income year to which the private ruling relates has ended, or has commenced but not yet ended. However, if the arrangement covered by the private ruling has not begun to be carried out, and the income year to which it relates has not yet commenced, this Ruling applies to the taxpayer to the extent of the inconsistency only (see Taxation Determination TD 93/34).

Withdrawal

11. This Product Ruling is withdrawn and ceases to have effect after 30 June 2002. The Ruling continues to apply, in respect of the tax law(s) ruled upon, to all persons within the specified class who enter into the specified arrangement during the term of the Ruling. Thus, the Ruling continues to apply to those persons, even following its withdrawal, who entered into the specified arrangement prior to withdrawal of the Ruling. This is subject to there being no change in the arrangement or in the person's involvement in the arrangement.

Arrangement

12. The arrangement that is the subject of this Ruling is described below. This description is based on the following documents. These documents, or relevant parts of them, as the case may be, form part of and are to be read with this description. The relevant documents or parts of documents incorporated into this description of the arrangement are:

- Draft Offer Document prepared for Dalby Paulownia Plantation No 1, Stage 1 issued by Timber Tec Industries Limited ('Timber Tec' or 'the Manager');
- **Draft Land Sale Agreement** between Dalby Plantation Industries Pty Ltd ('DPI') and the Grower;
- **Draft Plantation Management Agreement** between Timber Tec and the Grower; and
- Draft Caretaking Agreement between Timber Tec and the Body Corporate for Dalby Paulownia Plantation Community Titles Scheme No SP108703.

NOTE: certain information received from Timber Tec Industries Limited has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.

13. The documents highlighted are those that Growers enter into. For the purposes of describing the arrangement to which this Ruling applies, there are no other agreements, whether formal or informal, and whether or not legally enforceable, which a Grower, or any associate of a Grower, will be a party to. The effect of these agreements is summarised as follows.

14. This arrangement is called the Dalby Paulownia Plantation No 1, Stage 1. Growers entering into the Project will purchase land from DPI on a property approximately 30km south west of Dalby in the Queensland Darling Downs District. The Growers will also enter into a Plantation Management Agreement with the Manager to have paulownia trees planted on this land for the purpose of eventual harvesting and sale. Harvesting of trees will generally take place no later than seven years after planting.

15. There are 65 woodlots of 2 hectare lots each on offer at a cost of $12,000 per lot for the purchase of the land. Each woodlot is equal to two hectares of land. A minimum purchase of 4 woodlots is required. Each woodlot is sold with headwork irrigation and trickle irrigation systems supplied and installed by the vendor. On execution of the Plantation Management Agreement fees of $148,000 for management services becomes payable for each woodlot. The total land area for the Project is 350 hectares. A minimum of 1,000 trees per woodlot will be planted in the first 13 months following execution of the Land Sale Agreement and Plantation Management Agreement. Possible projected returns for Growers are outlined on pages 20 and 22 of the Offer Document. The projected returns depend on a range of assumptions and the Manager does not give any assurance or guarantee whatsoever in respect of the future success of or financial returns associated with entering into the Land Sale Agreement or the Plantation Management Agreement. Based on the examples set out on

page 22 of the draft Offer Document, the Manager forecasts that a Grower could expect to achieve compound pre-tax returns of approximately 15.04%. A minimum subscription of 20 woodlots ($3.2 million) is required before the Project will proceed.

Plantation Management Agreement

16. Under the Land Sale Agreement, Growers will acquire a minimum of 4 lots and contract with the Manager pursuant to the Plantation Management Agreement to establish and maintain the plantation. The Plantation Management Agreement is valid for a period of 7 years from the date of execution. Should the trees remain unharvested after this point the plantation will be maintained at the expense of the manager for a further two years or until the trees are harvested whichever occurs first. Growers are not entitled to assign the rights under the Plantation Management Agreement except with the prior written consent of the other party. The Manager, acting as agent, will harvest and sell the timber produce on the Grower's behalf. A Harvest Fee of 30% of the sale price of the timber will be payable to the Manager.

Land Purchase Price and Management Fees

17. The total amount payable under the Land Sale Agreement and Plantation Management Agreement is $160,000 per woodlot or $640,000 for the minimum subscription of 4 woodlots.

18. The Grower purchases each woodlot for $12,000 and on entering into the Plantation Management Agreement ('**PMA'**) is required to pay a fee of $148,000 immediately. This is allocated as follows:

- a fee of $91,000 per woodlot for plantation management and maintenance services to be provided in the period of 13 months from the execution of this Agreement. Services to be provided include the management, maintenance, care and supervision of the trees including acquisition of seedling stock, planting, tending and rearing the seedlings, pruning, replacement of seedling losses in the first twelve months, ripping, ploughing and mould ploughing, stick raking, raking, weed control (including curtailing regrowth) watering, control of pests and vermin, fertilising and taking out and maintaining insurance policies;
- a fee of $15,600 per woodlot for services in respect of management, maintenance care and supervision services for the period of 12 months following the first

anniversary of the execution of the PMA in respect of costs to be incurred and expended by the Manager in the period; and

- a fee of $41,400 per woodlot for services in respect of the remaining four years of the Project ($10,350 per year). These services will include the cost of tendering and rearing the seedlings, maintaining the plantation including control of weeds, vermin and other pests, fertilising, the provision of information as required under the agreement and pruning.

Planting

19. During the first 13 month period the Manager will be responsible for planting paulownia trees on the woodlots. From this period on the Manager will maintain the trees in accordance with good silvicultural practice. The services to be provided by the Manager over the term of the Project are outlined in Clause 3 of the Plantation Management Agreement. The Manager will also be responsible for the establishment and maintenance of access roads and fire breaks, and is required to keep the woodlots free from vermin. The Manager will provide ongoing reports to the Growers on the progress of the plantations. The Manager may sub-contract all plantation establishment and maintenance functions.

Crop Cover Insurance

20. The Manager intends to take out an Australian Forestry Risk Insurance Policy which is underwritten by Zurich Insurance Limited and managed by Agricola Underwriting Management Pty Ltd. Each Grower will, under the Plantation Management Agreement, authorise the Manager to take out such insurance on its behalf. Each year the Manager will commission the University of Technology, Sydney (or such other person as the Manager considers appropriately qualified) to value the trees for insurance purposes, and provide a report to Growers. Once every year the Manager will re-assess the current crop valuation of the plantation and provide a report to Growers.

21. The Manager will annually, commencing on the first anniversary of planting for each Grower take out insurance to cover physical loss or damage to standing timber at an insured value of $160 per paulownia tree. The Grower will bear the cost of insurance above $160 per paulownia tree.

22. Under the Plantation Management Agreement:

- the Manager will insure the paulownia trees on behalf of the Grower to a maximum value of $400 per paulownia tree;
- the Grower authorises the Manager to deduct and retain from the sale proceeds of the Grower's timber, an amount which equals the cost of insuring the paulownia tree at a value between $160 per tree and $400 per paulownia tree during the period of the harvest term; and
- the Grower shall be responsible for taking out additional insurance in excess of $400 per tree. If the Grower provides the appropriate premium to the Manager, the Manager shall take out and maintain such additional insurance on the Grower's behalf.

23. Each Grower's Plantation will be assessed by the insurer for insurance purposes. The Manager estimates that the cost of insuring the paulownia trees between $160 and $400 per tree, which shall be reimbursed to it from the sale of the Growers timber, will be approximately $6.70 per tree over the period of the harvest term.

Finance

24. Growers can fund their investment in the Project themselves or borrow from an independent lender.

25. No entity associated with the Project is involved in the provision of finance for the Project. No entity associated with the Project will be referring any Grower to particular entities for the purpose of finance. No entity associated with the Project has or will enter into arrangements or understandings with any financier for the purpose of providing finance to Growers. Any finance arrangements undertaken by entities associated with the Project or as a result of arrangements or understandings between entities associated with the Project and any financier are outside the arrangement to which this ruling applies.

26. No agreement exists between Timber Tec or DPI or any associated entity or non-associated entity that may be involved in the Project, to deposit funds as security or otherwise with any lender to any Grower in the Project.

Ruling

Section 8-1

27. **Deductions**: For a Grower who invests in the Project by 30 June 1999, and who utilises the services of Timber Tec, the following deductions will be available for the years ended 30 June 1999 to 30 June 2002:

		Deductions available each year			
Year Ended		Year ended 30 June 1999	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002
Year Number		1	2	3	4
Fee Type	ITAA 1997 Section				
Management Fee	8-1	$91,000	$0	$15,600	$10,350
Crop Cover Insurance		$0	As incurred	As incurred	As incurred

Note

Section 82 KZM applies in respect of the management fee of $15,600. For the purposes of Section 82KZM apportionment across all years to which the eligible service period relates is required. As the date of execution of the Project Management Agreement is unknown, for practical purposes no apportionment has been made in this ruling. However where the PMA is executed prior to 30 June 1999 a deduction of $42.74 is available in respect of the year ended 30 June 2000 for each day of the eligible service period which falls before 30 June 2000. The eligible service period is a period of 12 months commencing on the first anniversary of the date of execution of the PMA.

28. For a Grower who invests in the Project between 1 July 1999 and 30 June 2000, the deductions available to them for the year ended 30 June 2000 will be as detailed above for year one, and for the year ended 30 June 2001 will be as detailed above for year two and for the year ended 30 June 2002 will be as detailed for year three. For a Grower who invests in the Project between 1 July 2000 and 30 June 2001, the deductions available to them for the year ended 30 June 2001 will be as detailed above for year one, and the for the year ended 30 June 2002 will be as detailed for year two.

29. The management fee of $41,400 applicable to the last four years of the Project will fall within the scope of section 82KZM resulting in a deduction of $10,350 being allowable in respect of each of these years.

30. For a Grower who invests in the Project on the basis set out above, the following provisions of the ITAA 1936 do not apply to the management fee paid on application:

- section 82KL does not apply to deny the deductions otherwise allowable; and
- Part IVA does not apply to deny deductions for the expenditure by Growers.

Section 6-5

31. **Income**: For a Grower who invests in the Project, any income derived by them from the sale of timber from their woodlots will be assessable income to them under section 6-5.

Explanations

Section 8-1

32. Consideration of whether fees payable under the Plantation Management Agreement are deductible under section 8-1 begins with the first limb of the section.

33. Whether an item of expenditure satisfies the wording of the limb, it is necessary to consider whether expenditure has been incurred for the purposes of the section. It is also material to determine the objective purpose for which the expenditure was incurred. As Latham CJ, Rich, Dixon, McTiernan and Webb JJ said in *Ronpibon Tin NL and Tongkah Compound NL v. Federal Commissioner of Taxation* (1949) 78 CLR 47 at 56-57 (*Ronpibon Tin*):

> 'For expenditure to form an allowable deduction as an outgoing incurred in gaining or producing the assessable income it must be incidental and relevant to that end …
>
> In brief substance, to come within the initial part of the sub-section it is both sufficient and necessary that the occasion of the loss or outgoing should be found in whatever is productive of the assessable income or, if none be produced, would be expected to produce assessable income.'

34. Deductibility of management fees under the first limb depends on 'whether', and if so, to what 'extent' the expenditure is 'incurred in gaining or producing assessable income' (see *Fletcher & Ors v. FC of T* 91 ATC 4950 at 4957-4958; (1991) 22 ATR 613 at 621-623). To satisfy this test, it is said that, at the time the fees are incurred, the expenditure must have a 'sufficient connection' with the 'operations' which more directly gain or produce the 'assessable income' (see *Ronpibon Tin*; *Charles Moore & Co (WA) Pty Ltd v. FC of T* (1956) 95 CLR 344 and *FC of T v. DP Smith* 81 ATC 4114; (1981) 11 ATR 538). The existence of a sufficient connection is determined by

looking at the scope of the income producing operations and the relevance of the expenditure to those operations (see Dixon J in *Amalgamated Zinc (de Bavay's) Ltd v. FC of T* (1935) 54 CLR 295 at 309).

35. Where expenditure is incurred prior to the commencement of the actual income producing operations, it may be incurred 'too soon' for it to be incurred 'in' gaining or producing assessable income. That is, the expenditure may be incurred 'too soon' to be characterised as expenditure that is incidental and relevant to the gaining or producing of assessable income. This position was recently restated by the High Court in *Steele v. DC of T* [1999] HCA 7 where Gleeson CJ, Gaudron and Gummow JJ said at paragraph 44:

> 'There are cases where the necessary connection between the incurring of an outgoing and the gaining or producing of assessable income has been denied upon the ground that the outgoing was entirely preliminary to the gaining or producing of assessable income eg *Softwood Pulp & Paper Ltd v. FCT* (1976) 7 ATR 101 at 113; 76 ATC 4439 at 4450 or was incurred too soon before the commencement of the business or income producing activity *FCT v. Maddalena* (1971) 2 ATR 541; 71 ATC 4161; *Lodge v. FCT* (1972) 128 CLR 171; 3 ATR 254; 72 ATC 4174; *FCT v. Riverside Road Lodge Pty Ltd (in liq)* (1990) 23 FCR 305. The temporal relationship between the incurring of an outgoing and the actual or projected receipt of income may be one of a number of facts relevant to a judgment as to whether the necessary connection might, in a given case, exist, but contemporaneity is not legally essential, and whether it is factually important may depend upon the circumstances of the particular case.'

36. Relevantly, in *FC of T v. Brand* 95 ATC 4633 at 4646; (1995) 31 ATR 326, the Full Federal Court (Lee, Lindgren and Tamberlin JJ) allowed prepaid licence fees to a prawn farmer investor under the first limb of subsection 51(1) of the ITAA 1936. The Court decided that an outgoing did not have to be contemporaneous with the activity directed to the gaining of income for it to be deductible and in this case, the expenditure was not incurred at a point too soon. It was decided that the outgoing was incidental and relevant to the gaining or producing of assessable income. It was considered that the contractual commitment to the Project provided sufficient connection between the expenditure and the operations, which it was expected would gain or produce assessable income, to make the payment deductible under subsection 51(1).

37. Similarly, in this Project, at the time the Plantation Management Agreement is executed and monies paid, there is a commitment by the investor to carrying on a business of afforestation

in the future, such that the expenditure incurred prior to the actual commencement of the income producing operations would ordinarily be incidental and relevant to the gaining or producing of assessable income.

38. An afforestation scheme can constitute the carrying on of a business. Where there is a business, or a future business, the gross sale proceeds from the timber's sale from the scheme will constitute gross assessable income in their own right. The generation of 'business income' from such a business, or future business, provides the backdrop against which to judge whether the outgoings in question have the requisite connection with the operations that more directly gain or produce this income. These operations will be the planting, tending, maintaining and harvesting of the trees.

39. Generally, an investor will be carrying on a business of afforestation where:

- the investor has an identifiable interest in specific growing trees coupled with a right to harvest and sell the timber;
- the afforestation activities are carried out on the investor's behalf; and
- the weight and influence of the general indicators of a business, as used by the Courts, point to the carrying on of a business.

40. For this Project Growers have, under the Land Sale Agreement and Plantation Management Agreement, rights in the form of an ownership over an identifiable area of land consistent with the intention to carry on a business of growing trees. Under the Plantation Management Agreement Growers appoint Timber Tec, as Manager, to provide services such as planting, cultivating, tending, culling, pruning, fertilising, replanting, spraying, maintaining and otherwise caring for the Trees. The Manager is also responsible for the harvesting and subsequent sale of the trees.

41. The Land Sale Agreement and Plantation Management Agreement give Growers more than a chattel interest in the timber on harvest. The Project documentation contemplates Growers will have an ongoing interest in the growing trees. The trees are the Grower's property and Growers have a legal interest in the land.

42. Growers have the right to use the land in question for afforestation purposes and to have the Manager come onto the land to carry out its obligations under the Plantation Management Agreement. The Grower's degree of control over the Manager as evidenced by the Agreements, and supplemented by the Corporations Law, is sufficient. Under the Project, Growers are entitled to receive regular progress

reports on the Manager's activities. The afforestation activities described in the Plantation Management Agreement are carried out on the Growers' behalf.

43. The general indicators of a business, as used by the Courts, are described in Taxation Ruling TR 97/11. Positive findings can be made from the arrangement's description for all the indicators. Growers to whom this Ruling applies intend to derive assessable income from the Project. This intention is related to projections contained in the draft Offer Document that suggest the Project should return a 'before-tax' profit to the Growers, i.e., a 'profit' in cash terms that does not depend in its calculation, on the fees in question being allowed as a deduction.

44. Growers will engage the professional services of a Manager with appropriate credentials. There is a means to identify which trees Growers have an interest in. These services are based on accepted silvicultural practices and are of the type ordinarily found in afforestation ventures that would commonly be said to be businesses.

45. Growers have a continuing interest in the trees from the time they are acquired until harvest. The afforestation activities, and hence the fees associated with their procurement, are consistent with an intention to commence regular activities that have an 'air of permanence' about them.

46. Although the Growers do not have a right to harvest and sell the timber in their own right, by weighing up all of the attributes of the Project and viewing it as a whole, it is accepted that Growers will be in a business of primary production from the date that 'business operations' are first commenced on their behalf. 'Business operations', in this context, means such things as preparation of the land and other preplanting work, all conducted as part of a co-ordinated and concerted plan to grow paulownia trees and harvest them for timber. The Growers afforestation activities will constitute the carrying on of a business.

47. The fees associated with the afforestation activities will relate to the gaining of income from this business and, hence, have a sufficient connection to the operations by which the income from the sale of timber is to be gained. Further, no 'non-income producing' purpose in incurring the fee is identifiable from the arrangement. No capital component is identifiable. The tests of deductibility under the first or second limb of section 8-1 are met.

Section 82KZM

48. Under the Land Sale Agreement and Plantation Management Agreement an amount of $160,000 per Wood-lot will become payable on execution of those Agreements. Of this amount $12,000 is for the

purchase of land pursuant to the Land Sale Agreement. A fee of $91,000 is charged for providing services to a Grower for the period of 13 months from the execution of the Plantation Management Agreement. For this Ruling's purposes no explicit conclusion can be drawn from the arrangement's description, that the fee has been inflated to result in reduced fees being payable for subsequent years. The fee is expressly stated to be for a number of specified services. There is no evidence that might suggest the services covered by the fee could not be provided within 13 months of incurring the expenditure in question. Thus, for the purposes of this Ruling it can be accepted that no part of the fee of $91,000 is for Timber Tec doing 'things' that are not to be wholly done within 13 months of the fee of $91,000 being incurred. On this basis the basic precondition for section 82KZM's operation is not satisfied and it will not apply to the expenditure by Growers of $91,000 per woodlot.

49. The management fee of $15,600 relates to services in respect of the 12 months following the first anniversary of the execution of the Project Management Agreement. It is for the doing of 'things' that are not to be wholly done within 13 months of the fee being incurred. The management fee of $15,600 will therefore fall within the scope of section 82KZM.

50. The management fee of $41,400 relates to services to be provided during the last four years of the Project. As this period exceeds the 13 months specified in section 82KZM the expenditure will fall within the scope of section 82KZM. This results in a deduction of $10,350 being allowable in respect of each of the years ended 30 June 2002, 30 June 2003, 30 June 2004 and 30 June 2005.

Section 82KL

51. Section 82KL's operation depends, amongst other things, on the identification of a certain quantum of 'additional benefit(s)'. Insufficient 'additional benefits' will be provided to trigger the application of section 82KL. It will not apply to deny the deduction otherwise allowable under section 8-1.

Part IVA

52. For Part IVA to apply there must be a 'scheme' (section 177A); a 'tax benefit' (section 177C); and a dominant purpose of entering into the scheme to obtain a tax benefit (section 177D). The Dalby Paulownia Plantation No 1, Stage 1 will be a 'scheme'. It will generally commence in June 1999. The Growers will obtain a 'tax benefit' from entering into the scheme, in the form of the deductions described in the table at paragraph 26, allowable under section 8-1, that would not have been obtained but for the scheme. However, it is

not possible to conclude that the scheme will be entered into or carried out with the dominant purpose of obtaining this tax benefit.

53. Growers to whom this Ruling applies intend to stay in the scheme for its full term and derive assessable income from the eventual harvesting of the trees. There are no facts that would suggest that participants have the opportunity of obtaining a tax advantage other than the tax advantages identified in this Ruling. Further, having regard to the eight matters considered under paragraph 177D(b), based on the arrangement identified, it cannot be concluded on the information available that participants will enter into the scheme for the dominant purpose of obtaining a tax benefit.

Income

54. For a Grower who invests in the Project, any income derived by them from the sale of timber from their woodlots will be assessable income to them under section 6-5.

Detailed contents list

55. Below is a detailed contents list for this Ruling:

	Paragraph
What this Product Ruling is about	**1**
Tax law(s)	2
Class of persons	3
Qualifications	5
Date of effect	**9**
Withdrawal	**11**
Arrangement	**12**
Plantation Management Agreement	16
Land Purchase Price and Management Fees	17
Planting	19
Crop Cover Insurance	20
Finance	24
Ruling	**27**
Section 8-1	27
Section 6-5	31
Explanations	**32**

Section 8-1	32
Section 82KZM	48
Section 82KL	51
Part IVA	52
Income	54

Commissioner of Taxation
23 June 1999

Previous draft:
No draft issued

Related Rulings/Determinations:
PR 98/1; TR 92/1; TR 92/20; TR 97/11; TR 97/16; TD 93/34

Subject references:
- carrying on a business
- commencement of business
- fee expenses
- interest expenses
- management fees expenses
- primary production
- primary production expenses
- producing assessable income
- product rulings
- public rulings
- schemes and shams
- taxation administration
- tax avoidance
- tax benefits under tax avoidance schemes
- tax shelters
- tax shelters project

Legislative references:
- ITAA1936 82KZM
- ITAA1936 Pt IVA
- ITAA1936 177A
- ITAA1936 177C
- ITAA1936 177D
- ITAA1997 6-5
- ITAA1997 8-1

Case references:
- Amalgamated Zinc (de Bavay's) Ltd v. FC of T (1935) 54 CLR 295
- Charles Moore & Co (WA) Pty Ltd v. FC of T (1956) 95 CLR 344
- FC of T v. Brand (1995) 31 ATR 326; 95 ATC 4633
- FC of T v. Maddalena (1971) 2 ATR 541; 71 ATC 4161
- FC of T v. Riverside Road Lodge Pty Ltd (in Liq) (1990) 23 FCR 305; (1990) 21 ATR 499; 90 ATC 4567
- FC of T v. Darcy Peter Smith (1981) 11 ATR 538; 81 ATC 4114
- Fletcher & Ors v. FC of T (1991) 22 ATR 613; 91 ATC 4559
- Lodge v. FC of T (1972) 128 CLR 171; 3 ATR 254; 72 ATC 4174
- Ronpibon Tin NL and Tongkah Compound NL v. FC of T (1949) 78 CLR 47
- Steele v. DC of T (1999) 41 ATR 139
- Softwood Pulp & Paper Ltd v. FC of T (1976) 7 ATR 101; 76 ATC 4439

ATO references:
NO 99/2987-8
BO
FOI index detail: I 1020165
ISSN: 1039-0731
Price: $1.50