PR 2000/68 - Income tax: Dillon's Hill Vineyard Project

Australian Taxation Office

Product Ruling
Income tax: Dillon's Hill Vineyard Project

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Potential investors may wish to refer to the ATO's Internet site at **http://www.ato.gov.au** or contact the ATO directly to confirm the currency of this Product Ruling or any other Product Ruling that the ATO has issued.

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 1999/95 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.*

No guarantee of commercial success

The Australian Taxation Office (ATO) **does not** sanction or guarantee this product as an investment. Further, we give no assurance that the product is commercially viable, that charges are reasonable, appropriate or represent industry norms, or that projected returns will be achieved or are reasonably based.

Potential investors must form their own view about the commercial and financial viability of the product. This will involve a consideration of important issues such as whether projected returns are realistic, the 'track record' of the management, the level of fees in comparison to similar products, how the investment fits an existing portfolio, etc. We recommend a financial (or other) adviser be consulted for such information.

This Product Ruling provides certainty for potential investors by confirming that the tax benefits set out below in the **Ruling** part of this document are available, **provided that** the arrangement is carried out in accordance with the information we have been given, and have described below in the **Arrangement** part of this document.

If the arrangement is not carried out as described below, investors lose the protection of this Product Ruling. Potential investors may wish to seek assurances from the promoter that the arrangement will be carried out as described in this Product Ruling.

Potential investors should be aware that the ATO will be undertaking review activities to confirm the arrangement has been implemented as described below and to ensure that the participants in the arrangement include in their income tax returns income derived in those future years.

Terms of Use of this Product Ruling

This Product Ruling has been given on the basis that the person(s) who applied for the Ruling, and their associates, will abide by strict terms of use. Any failure to comply with the terms of use may lead to the withdrawal of this Ruling.

What this Product Ruling is about

1. This Ruling sets out the Commissioner's opinion on the way in which the 'tax laws' identified below apply to the defined class of person, who take part in the arrangement to which this Ruling relates. In this Ruling this arrangement is sometimes referred to as the Dillon's Hill Vineyard Project, or just simply as 'the Project'.

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 ('ITAA 1997');
- section 27-5 (ITAA 1997);
- section 27-30 (ITAA 1997);
- section 42-15 (ITAA 1997);
- section 387-55 (ITAA 1997);
- section 387-125 (ITAA 1997);
- section 387-165 (ITAA 1997);
- section 82KL of the *Income Tax Assessment Act 1936* ('ITAA 1936');
- section 82KZM (ITAA 1936);
- sections 82KZMA to 82KZMD (ITAA 1936); and
- Part IVA (ITAA 1936).

3. On 11 November 1999, the Government announced further changes to the tax system as part of The New Business Tax System. A number of those changes, especially those to do with 'tax shelters', could affect the tax laws dealt with in this Ruling. Some of the changes apply from the date of announcement and others are proposed to apply from nominated dates in the future.

4. Although this Ruling mentions certain of those announced changes, the information given on the treatment of expenditure which may be affected by them is not binding on the Commissioner. Legally binding advice in respect of those changes cannot be given until the relevant law(s) are enacted.

5. However, if the changes become law the operation of that law will take precedence over the application of this Ruling, and to that extent, this Ruling will be superseded. If requested, when the relevant law(s) are enacted, the Commissioner will formalise the non-binding

information shown in this Ruling by issuing a new Product Ruling that describes the operation of those law(s).

Class of persons

6. 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 the sale of 100% of the Grapes harvested from the Leased Area as set out in the description of the arrangement. In this Ruling these persons are referred to as 'Growers'.

7. The class of persons to whom this Ruling applies does not include persons 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

8. The Commissioner rules on the precise arrangement identified in the Ruling.

9. 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.

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Date of effect

11. This Ruling applies prospectively from 7 June 2000, 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).

12. 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 Product Ruling applies to the taxpayer to the extent of the inconsistency only (see Taxation Determination TD 93/34).

Withdrawal

13. 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 material difference in the arrangement or in the persons' involvement in the arrangement.

Arrangement

14. The arrangement that is the subject of this Ruling is described below. The description is based on the documents listed below and these documents, or relevant parts of them, as the case may be, form part of and are to be read with this description:

- Application for Product Ruling dated 7 January 2000;
- Draft Information Memorandum received by the ATO on 26 May 2000;
- Amended application received by the ATO on 26 April 2000;
- Final revised draft **Joint Venture Agreement** between Feversand Pty Ltd (FPL) Lessor, Dillon's Hill Vineyard Pty Ltd (DHVPL) and the Grower, received by the ATO on 30 May 2000;
- Final revised draft **Lease Agreement** between FPL and the Grower, received by the ATO on 30 May 2000;

- Final revised draft **Management Agreement** between DHVPL and the Grower received by the ATO on 22 May 2000;
- Final revised draft **Option Agreement** between FPL and the Grower received by the ATO on 15 May 2000;
- Final revised draft **Grape Purchase Agreement** between Elsewhere Vineyard, the Grower and FPL, received by the ATO on 26 April 2000;
- Correspondence dated 3 February and 16 March 2000 from applicant's adviser;
- E-mail information received dated 6 and 16 March 2000 from applicant's adviser;
- E-mail information received dated 4, 11, 20, and 26 April 2000 from applicant's adviser;
- E-mail information received dated 15, 17, 19, 22 and 30 May 2000 from applicant's adviser.

Note: certain information received, has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.

15. The documents highlighted above are those that the 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 the Grower, will be party to, other than those to which paragraphs 44-46 applies. The effect of these agreements are summarised as follows:

16. The arrangement is called the 'Dillon's Hill Vineyard Project' which, in this document, is referred to as 'the Project'.

Overview

Location	17 kilometres south of the township of Huonville in the Huon Valley region of Tasmania.
Type of business each participant is carrying on	Commercial Viticulture
Number of hectares under cultivation	The joint venture provides for 16 hectares, 12 hectares to be planted and 4 hectares of established vineyard.
Name used to describe the project	Dillon's Hill Vineyard Project

Size of participation	0.67 hectares, comprising 0.5 hectare of cleared land and 0.17 hectare Established Vines.
Number of vines per participation	1500 vines to be planted on 0.5 hectare and 500 established vines on 0.17 hectare.
The term of the investment	15 years
Initial cost	$36,464 for management fees and $2,200 lease fee.
Ongoing costs	The ongoing management and lease charges will be $5041.50 and $2,000 per Leased Area respectively after 30 June 2004.
Other Costs	Growers will be charged for the cost of all insurances estimated at $60 per Leased Area.
Other aspects	A sales agreement is in place for the grapes produced.
Minimum Subscription	1 Leased Area.
Note	If the management and lease fees are subject to GST, the amounts payable by the Grower may be higher than those noted.

17. The Project is not required to lodge a Prospectus or have the Project approved by the Australian Securities & Investment Commission because the Project will be marketed to less than 20 people and limited to less than 20 members.

18. Growers entering into the Project may subscribe for one or more Leased Areas. The lease provides for the Grower to conduct the business of growing grapes on the Leased Area for a period of 15 years. The minimum Leased Area is 0.67 hectare, which comprises two separate parcels of land. The first parcel of 0.5 hectare will be planted with approximately 1500 Pinot Noir or Chardonnay grapevines (the New Vines) by 30 June 2001. Trellising and an irrigation system will be installed. The second parcel of 0.17 hectare has previously been planted with 500 Chardonnay or Pinot grapevines that are currently producing fruit (the Established Vines).

19. At the time of entry into the Project the Growers may make an election as to whether the Leased Area is to be managed by the Grower or otherwise appoint DHVPL.

20. Where the Grower decides to appoint the Manager, they will enter into a Management and Joint Venture Agreement. The Management Agreement along with the Joint Venture Agreement defines the rights and responsibilities of the Grower, Manager and Lessor. Under the Joint Venture Agreement, the Grower is entitled to the Grapes from his Leased Area and to separately dispose of them.

21. Pursuant to the Management Agreement, the Manager is authorised by the Grower to enter into on behalf of the Grower the Grape Purchase Agreement with the Winery for the sale of the Grapes from the Leased Area.

22. The Lessor and DHVPL state that:

- The rental amounts charged in respect of the portion of the established vineyard reflect the increase in the value of the land as a result of the planting of vines;
- The management fees charged in respect of the portion of the established vineyard do not incorporate an amount to reflect the increase in the value of the land as a result of the planting of the vines.

23. Possible projected returns for Growers are outlined in the Draft Information Memorandum. 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 Project.

Lease Agreement

24. The Grower will enter into a Lease Agreement with FPL. This Lease Agreement will provide an exclusive right to the Grower to establish and operate a vineyard on the Leased Area for a period of 15 years, (cls 4.1 and 16.1).

25. The Lease Agreement requires the Grower to pay annual rent of $2,000 being $1,000 for 0.5 hectare of cleared land and $1,000 for 0.17 hectare of Established Vines. The first payment includes an amount of $200 in arrears for the period ending 30 June 2000 and an annual rent in advance of $2,000 due on 30 June 2000.

26. The Grower will be granted access to and use of all common areas necessary for the development of the Leased Area as a vineyard in accordance with the Joint Venture Agreement and good horticultural practices, (cls 16.3).

27. The lease also provides that improvements (trellising, irrigation and vines) affixed by or on behalf of the Grower during the course of establishing the New Vines remain the property of the

Grower, and can be removed by the Grower subject to the Option Agreement.

Joint Venture Agreement

28. The Joint Venture Agreement regulates the relationships between the Lessor, Grower and Manager and sets out the rights duties and obligations of those parties, (cls 4).

29. Pursuant to the Joint Venture Agreement, the Grower's name is entered on a Grower's Register and the Grower's name is matched with a readily identifiable parcel of land. In addition, the Manager has established a plan of all the Leased Areas. This plan identifies the location of each Grower's Leased Area. This plan is proposed to be lodged with the Land Titles Office.

30. Under the terms of the Joint Venture Agreement, the Grower continues to maintain *de jure* control over the Manager. For example:-

- the Grower may terminate the Management Agreement, if the Manager commits a breach of any of its obligations and the default is not remedied within ten business days of receiving notice of the breach;
- the Growers may by a 3/4 majority remove the Manager at a meeting of joint venturers.

The Joint Venture Agreement does not allow the Grower's subscription monies to be placed on deposit or in substance allow the return of any funds to a financier or an associate of a financier. Clause 2.5 allows each Grower to receive and take the grapes produced from the Leased Area and separately dispose of the produce.

Management Agreement

31. The Manager agrees that it will carry out its duties and obligations in accordance with clauses 2.2 and 2.3 of this agreement and Schedule A of the Joint Venture Agreement and include;

- pre-planting services;
- purchase and establishment of vines on the Leased Area at the Prescribed Rate;
- establishment of an irrigation and trellising system;
- maintaining the irrigation and trellising;
- cultivating, tending, training, pruning, fertilising, replanting, spraying and otherwise caring for the vines; and

- harvesting the fruit grown on the Leased Area each year and delivering the fruit to the Winery.

32. The Grower may terminate the Management Agreement in certain instances, including where the Manager makes default in the performance of its duties.

33. All costs and expenses incurred by the Manager in carrying out its duties are to be borne by it and the Grower has no further obligation to make any payment, save those under clauses 4.6 and 9 of the Management Agreement. However, Growers will be liable for the payment of any goods and services tax applicable to the supply of the services under this agreement.

34. Under the Management Agreement, once a Grower has executed the Lease Agreement and Joint Venture Agreement, and elected to use the services of the Manager, the Manager will be responsible for planting 1500 vines on each Leased Area no later than 30 June 2001.

35. Clause 6 of the Management Agreement required the manager to provide progress reports to the Growers every 6 months.

Grape Purchase Agreement

36. The Manager on behalf of the Grower will enter into the Grape Purchase Agreement with the Winery.

37. The Grape Purchase Agreement provides for the Winery to purchase the Grower's produce of the Project.

38. The Grape Purchase Agreement provides for a fixed price of $2,300 per tonnage to be paid to the Grower for the grapes produced on the Leased Area subject to changes based upon certain quality parameters defined in the Grape Purchase Agreement. The Winery agrees to purchase up to 100% of the grapes produced by the Grower although the Grower has the option to notify the Winery that he intends to keep up to 20% of the grapes produced in any given year. **This Ruling does not apply to those Growers who take up the option to retain the Grapes as outlined above.**

Option Agreement

39. Growers who enter into the Lease Agreement will also enter into the Option Agreement with FPL.

40. The Option Agreement grants FPL an option to purchase the Items including trellising and fencing nominated in the Lease Agreement from the Grower at market value on the termination of the Lease Agreement.

41. The Option Agreement includes a mechanism for the determination of the market value of the items failing agreement between the Grower and FPL.

Project Fees

Management Fees

42. Under the Management Agreement, the Grower is required to pay the following fees per Leased Area on the following dates for services to be performed during the first three years:

Due Date	30 June 2000	30 June 2001	30 June 2002
Total	$36,464.00	$5,541.50	$5,041.50

Being for:

	30 June 2000 **per Leased Area**	**30 June 2001** **per Leased Area**	**30 June 2002** **per Leased Area**
Trellising	$ 9,500		
Irrigation system	$ 4,000		
Fencing	$ 833		
Drainage	$ 200		
Windbreaks	$ 50		
Dam (Landcare)	$ 625		
Vines	$ 2,100		
Roads	$ 83		
Operational Cost Initial Year	$ 9,041		
Advance payment for Services in the Following year	$ 7,207	$5,541.50	$5,041.50
Balance relating to establishing the New Vines	$ 2,825		
Total	$36,464	$5,541	$5,041.40

43. If the management and lease fees are subject to GST, the amounts payable by the Grower may be higher than those noted.

Finance

44. Growers may fund the investment themselves or borrow from an unassociated lending institution. No entity or related entity involved in the Project is involved in the provision of financing for the Project.

45. This ruling does not apply if a Grower enters into a finance agreement that includes any of the following features:

- split loan features of the type described in Taxation Ruling TR 98/22;
- entities associated with the Project are or become involved in, the provision of the finance;
- indemnity arrangements, or equivalent collateral arrangements limiting the borrower's risk;
- non-arm's length terms and conditions;
- additional benefits, for the purposes of section 82KL, are granted to borrowers, or the funding arrangement transforms the Project into a 'scheme' to which Part IVA may be applied;
- repayments of principal and payment of interest are linked to derivation of income from the Project;
- funds borrowed, in whole or in part, are not available for the conduct of the Project, but are transferred (by any means, and directly, or indirectly), back to the lender, or any associate; or
- lenders do not have the capacity under the loan agreement, or do not have a genuine intention, to take legal action against defaulting borrowers.

46. There is no agreement, arrangement or understanding between any entity or party associated with the Project and any financial or other institution for the provision of any finance to the Grower for any purpose associated with the Project.

Ruling

Section 6-5 – Assessability of income from the Project

47. For a Grower who invests in the Project, all income received or receivable by them from the sale of their wine grapes will be assessable income to them under section 6-5 of the ITAA 1997.

Sections 27-5 and 27-30 - Goods and Services Tax

48. For a Grower who invests in this Project, sections 27-5 or 27-30 of the ITAA 1997 will apply to reduce the amount of any deduction allowable by any GST input tax credit to which the Grower is entitled or, in the case of section 27-5, a decreasing adjustment that a Grower has.

Section 8-1 - Allowable Deductions

49. For a Grower who invests in the Project, the deduction available for the prepaid management fee the prepaid lease fee will depend upon the date that the investment is made and, in some cases, whether or not they are 'small business taxpayers'.

IMPORTANT: Paragraph 50 (relating to 'small business taxpayers') and paragraphs 51, 52 and 53 (relating to taxpayers who are not 'small business taxpayers') describe the deductions allowable under the current law, but Growers are advised to carefully examine the information contained in paragraphs 55, 56, 57 and 58 relating to proposed changes to the prepayment rules. Growers who invest in the Project after 1pm, AEST, 11 November 1999 may be affected by these changes.

Deductions for Growers who are 'small business taxpayers'

50. For a Grower who is a **'small business taxpayer'** and invests in the Project on or before 30 June 2000, the deductions shown in the Table below will be available for the years ended 30 June 2000 to 30 June 2002.

Expenses	**Legislation ITAA 1997**	**Refer Note**	**Deductions for small business taxpayers only per Leased Area**		
			Year 1 **30 June 2000**	**Year 2** **30 June 2001**	**Year 3** **30 June 2002**
Management fee	8-1	**See note (i) below**	$16,248	$5,541.50	$5,041.50
Lease fee	8-1	**See note (i) below**	$2,200	$2,000	$2,000
Trellising Fencing	42-15	**See note (ii) below**		$1235 $58	$1235 $58

Landcare (drainage)	387-55	**See note (iii) below**	$200		
Dam and Irrigation Expenditure	387-125	**See note (iv) below**	$1,541	$1,542	$1,542
Horticultural Plant Expenditure	387-165	**See note (v) below**	nil	nil	nil

(All figures shown are exclusive of GST)

Notes:

(i) Proposed legislative change applying to expenditure incurred after 1.00pm AEST 11 November 1999 means that the full deduction will not be allowed to Growers in the years specified in the above table. See the non-binding advice in paragraphs 55 to 58 and Example 2 in paragraph 113.

(ii) For Growers who are 'small business taxpayers' and who comply with the conditions in section 42-345 of the ITAA 1997, the deduction for depreciation of trellising and fencing is determined using the rates in section 42-125 and the formula in either subsection 42-160(1), 'diminishing value method', or subsection 42-165(1), 'prime cost method'. For the year ended 30 June 2000 the deduction allowed will depend upon the number of 'days owned', being the number of days in the income year in which the Grower owned an interest in the trellising and fencing. The Manager of the Project is to advise Growers of this for the year ended 30 June 2000. The deductions available for succeeding years have been calculated for illustrative purposes on the basis of using the prime cost method at a rate of 13% and 7% for trellising and fencing respectively, assuming that is the method that the Grower has chosen under section 42-25.

(iii) A deduction under section 387-55 of the ITAA 1997 for expenditure on a Landcare operation which, is primarily and principally for the prevention of land degradation qualifies for a 100% deduction in the year in which the expenditure is incurred. The relevant Landcare operations are those defined in paragraph 387-60(1)(d). Relevant expenditure has been identified as $200 on drainage and will constitute an allowable deduction to the Grower.

(iv) A deduction is allowable under section 387-125 of the ITAA 1997 for capital expenditure representing the cost for the establishment of the dam and the irrigation system paid by the Grower. A deduction for the irrigation system is calculated on the basis of one third of the capital expenditure in the year in which the expenditure is incurred, and one third in each of the next two years; and

(v) An amount of $2,825 in the first year management fee incurred by the Grower is identified as capital expenditure in relation to the planting of the New Vines. This expenditure and the cost of the vines of $2,100 is attributable to the establishment of horticultural plants. An annual deduction is allowable on a prime cost basis commencing when the grapevines, as horticultural plants, enter their first commercial season. In calculating the deduction, a Grower must use section 387-175, and 387-185 to determine the 'effective life' of the grapevines. The Manager will inform the investor of when the New Vines enter their first commercial season. The Manager anticipates the vines will enter their first commercial in the year ended 30 June 2004.

Growers who are not small business taxpayers who invest before 30 June 2000

51. For a Grower who invests in the Project before 30 June 2000 who is **not a 'small business taxpayer'** and is carrying on a business, the deduction available in respect of the management fee and lease fee is determined under subsection 82KZMB(2), using the formula in subsection 82KZMB(3) and the percentages shown in Columns 3 and 4 of the Table in subsection 82KZMB(5). (Example 1 at paragraph 112 illustrates the application of this method).

52. In calculating the deductions available, the term 'expenditure' refers to expenditure otherwise allowable under section 8-1 whose 'eligible service period' ends not more than 13 months after it is incurred by the taxpayer. The 'eligible service period' (defined in subsection 82KZL(1)) means, generally, the period over which the services are to be provided. **The Manager will inform affected taxpayers of the number of days in the eligible service period in the expenditure year. This figure is necessary for the deduction of the management fee and the lease fee to be calculated.**

<u>Year 1: Expenditure incurred on or before 30 June 2000</u>

Available deduction = A + B

<u>Where</u>:

$$A = \text{Expenditure X} \quad \frac{\text{Number of days of eligible service period in the expenditure year}}{\text{Total number of days of the eligible service period}}$$

B = (Expenditure *less* A) x 80%

<u>Year 2: Expenditure is incurred on or after 1 July 2000 and on or before 30 June 2001</u>

Available deduction = A + B + C

<u>Where</u>:

$$A = \text{Expenditure X} \quad \frac{\text{Number of days of eligible service period in the expenditure year}}{\text{Total number of days of the eligible service period}}$$

B = (Expenditure *less* A) x 60%

C = balance of the Year 1 expenditure not previously deducted

<u>Year 3: Expenditure incurred on or after 1 July 2001 and on or before 30 June 2002</u>

Available deduction = A + B + C

<u>Where</u>:

$$A = \text{Expenditure X} \quad \frac{\text{Number of days of eligible service period in the expenditure year}}{\text{Total number of days of the eligible service period}}$$

B = (Expenditure *less* A) x 40%

C = balance of the Year 2 expenditure not previously deducted.

53. For a Grower who invests in the Project before 30 June 2000 who is **not a 'small business taxpayer'** and is carrying on a business, deductions other than the management fee and lease fee are shown in the Table below.

Expense	**Legislation ITAA 1997**	**Refer Note**	**Deductions for capital expenditure for taxpayers who are not small business taxpayers and are carrying on a business per Leased Area.**		
			30 June 2000	**30 June 2001**	**30 June 2002**
Trellising Fencing	42-15	**See Note (vi) below**			
Landcare (drainage)	387-55		$200		
Dam & Irrigation Expenditure	387-125	**See Note (iv) above**	$1,542	$1,542	$1,542
Horticultural Plant Expenditure	387-165	**See Note (v) above**	nil	nil	nil

Notes:

(vi) A deduction for depreciation is allowable for capital expenditure incurred for trellising and fencing. For Growers who are not 'small business taxpayers' the deduction for depreciation of trellising and fencing is determined using the formula in either subsection 42-160(3), 'Diminishing value method', or subsection 42-165(2A), 'Prime cost method'. Those formulae use 'effective life' to determine the deduction for depreciation. For the year ended 30 June 2000 the deduction will depend upon the number of 'days owned', being the number of days in the income year in which the Grower owned an interest in the trellising. The Manager is to advise any affected Growers of relevant details to calculate their depreciation deductions for the year ended 30 June 2000. Under section 42-100, Growers are able to choose the method of determining the 'effective life' of the trellising and fencing and the depreciation deduction depends upon that choice.

Sections 82KZL, 82KZM, 82KZMB and Part IVA

54. For a Grower who invests in the Project the following provisions have application as indicated:

- section 82KL does not apply to deny the deductions otherwise allowable;

- expenditure by Growers who are small business taxpayers is not within the scope of section 82KZM (but see paragraphs 55-58 below);
- section 82KZMB applies to expenditure by Growers who are not small business taxpayers and are carrying on a business; and
- the relevant provisions in Part IVA will not be applied to cancel a tax benefit obtained under a tax law dealt with in this Ruling.

Proposed new laws

Proposed changes to prepayment rules

55. On 11 November 1999 the Government announced a number of changes to the deductibility of certain prepaid expenditure incurred in respect of 'tax shelter arrangements'. Provided the proposed changes are enacted as announced, the Project will be a 'tax shelter arrangement' and all Growers, including 'small business taxpayers', who invest in the Project after 1pm, AEST, 11 November 1999 will be subject to these changes.

56. For these Growers the amount of deduction available in respect of the management fee and the lease fee is calculated using the formula shown below (see also Example 2 at paragraph 113). In the calculation, the term 'expenditure' refers to expenditure otherwise allowable under section 8-1 ITAA 1997 whose 'eligible service period' ends not more than 13 months after it is incurred by the taxpayer. The 'eligible service period' (defined in subsection 82KZL(1)) means, generally, the period over which the services are to be provided.

$$\text{Deduction} = \text{Expenditure X} \; \frac{\text{Number of days of eligible service period in the expenditure year}}{\text{Total number of days of the eligible service period}}$$

57. The excess remaining after the application of this formula is deductible in the year that the services to which the excess relates are performed.

Note to promoters and advisers

58. **Product rulings were introduced for the purpose of providing certainty about tax consequences for investors in projects such as this. In keeping with that intention, the Australian Taxation Office suggests that promoters and advisers ensure that potential investors are fully informed of the announcement requiring prepayments in respect of 'tax shelter' arrangements to be deductible over the period services are provided. Such action should minimise suggestions that potential investors have been negligently or otherwise misled.**

Explanations

Section 6-5 – Assessability of income from the Project

59. For a Grower who invests in the Project, all income received or receivable by them from the sale of their wine grapes will be assessable income to them under section 6-5 of the ITAA 1997.

Section 8-1 - Allowable Deductions

60. Consideration of whether the management and lease fees are deductible under section 8-1 begins by examining paragraph 8-1(1)(a) of the ITAA 1997. This view proceeds on the following basis:

- the outgoings in question must have a sufficient connection with the operations or activities that directly gain or produce the taxpayer's assessable income;
- the outgoings are not deductible under paragraph 8-1(1)(b) if they are incurred when the business has not commenced; and
- where a taxpayer contractually commits themselves to a venture that may not turn out to be a business, there can be doubt about whether the relevant business has commenced, and hence, whether paragraph 8-1(1)(b) applies. However, that does not preclude the application of paragraph 8-1(1)(a) in determining whether the outgoings in question have a sufficient connection with activities to produce assessable income.

61. An outgoing or a loss incurred in carrying on a business for the purpose of gaining or producing assessable income is deductible under the general provisions of section 8-1, provided it is not a loss of capital or expenditure of a capital, domestic or private nature. A business includes a 'primary production business', which is defined

under subsection 995-1(1) to include a business of propagating and cultivating plants. Where there is a business, or a future business of growing grapes for sale at a profit, the gross sale proceeds from the sale of grapes from the Project will constitute gross assessable income under section 6-5. 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, and maintaining of grapevines and the harvesting of the grapes.

Is the Grower in business?

62. Generally, a Grower will be carrying on a business of viticulture where:

- the Grower has an identifiable interest in growing vines coupled with a right to harvest and sell the grapes resulting from those vines;
- the viticulture activities are carried out on the Grower's behalf; and
- the weight of the general indicators of a business, as developed by the Courts, points to the Grower carrying on such a business.

By weighing up all of the attributes of the Project, it is accepted that Growers in the Project 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 surveyance of the land, installation of the trellising and irrigation items, and other pre-planting work, all conducted as part of a coordinated and concerted plan to grow and harvest grapes for sale at a profit

63. For this Project the Growers have under the Management and Lease Agreement rights in the form of a lease over an identifiable area of land consistent with the intention to carry on the business of viticulture. Under the Management Agreement Growers appoint DHVPL as the Manager. The Manager in the establishment period (12 months from date of entrance to the arrangement) will provide the following services, by engaging such contractors as are necessary:

- preparation of land ready for planting,
- obtaining and planting healthy grape vine rootlings;
- install irrigation equipment,
- spacing and trellising each grape vine rootling so that it may be harvested commercially.

64. In accordance with good viticultural practices the Manager will see to pruning, vermin control, irrigation, fertilisation, maintaining improvements and otherwise maintain the Growers vineyard lot in accordance with good viticultural practices. In return for these services the Manager will receive management fees, harvesting costs and reimbursement for vineyard operations from grape proceeds.

65. The Joint Venture Agreement as well as the Management and Lease Agreements gives Growers full right, title and interest in the grape harvest and the right to have the grapes sold for their benefit.

66. Growers will use the land in order to establish and maintain a vineyard and to subsequently harvest Grapes for sale to the wine industry. They will appoint DHVPL to perform the obligations and duties as imposed on the Manager under the Agreement.

67. The Growers degree of control over Project as evidenced by the Agreements, and the Joint Venture Agreement, is sufficient. Under the Project Growers are entitled to receive regular reports on the Manager's activities. Growers can terminate arrangements with the Manager in certain instances, such as where the Manager has failed to perform duties and fundamental obligations under the Agreement.

68. The general indicators of the business, as used by the courts are described in Taxation Ruling TR 97/11. Positive findings can be made from the arrangement description for all the indicators discussed in that Ruling. Growers to whom this Ruling applies intend to derive assessable income from the Project. This intention is related to projections contained in the Draft Information Memorandum which suggest that the Project should return a before tax profit to Growers, ie a profit in cash terms that does not depend in its calculation on the fees in question being allowed as a tax deduction.

69. Growers will engage the professional services of a Manager who holds itself out as having the appropriate credentials. There is a means to identify the specific vines which the Grower has an interest in. The services rendered by the Manager are in line with good viticultural practices and are of the type ordinarily found in viticultural ventures that would commonly be said to be businesses.

70. Growers have a continuing interest in the vines designated on their lot from their planting until the termination of the Lease Agreement on 30 June 2014. The viticultural activities, and hence the fees associated with their procurement, are consistent with the commencement of regular activities that are permanent. The Growers viticultural activities will constitute the carrying on of a business.

71. The fees associated with the viticultural activities will relate to the gaining of income from this business and hence, have a sufficient connection to the operations by which this income (sale of grapes) is

to be gained. They will thus be deductible under the first limb of section 8-1. Further, no non-income producing purpose in incurring the fee is identifiable from the arrangement. The fee appears to be reasonable. The capital component of the management fee has been identified and excluded. The amount of $16,248 in the first year, does not contain any identifiable capital component. No capital component is identifiable in the lease fee. The tests of deductibility under the first limb of section 8-1 are met in respect to those amounts.

72. Growers accepted into the Arrangement incur expenditure on internal roads, located on the common areas outside the Leased Area, that are to be used on their behalf in the operation of a viticultural business. These items are attached to the land as fixtures. The expenditure is of a capital nature. A deduction of $83 for internal roads will not be allowed to a Grower who invests in this Project. This is a capital outgoing and is excluded from deductibility by subsection 8-1(2) and subdivision 387-C.

Sections 27-5 and 27-30 - Goods and Services Tax

73. Section 27-30 operates to deny a deduction, that would be otherwise available under section 8-1, for the year ended 30 June 2000 to the extent that the loss or outgoing (incurred after 30 November 1999 and before 1 July 2000) includes an amount relating to an input tax credit to which a Grower will be entitled after 1 July 2000.

74. Section 27-5 of the ITAA 1997, operates to deny a deduction, that would be otherwise available under section 8-1, to the extent that the loss or outgoing incurred (on or after 1 July 2000) includes an amount relating to an input tax credit to which a Grower is entitled or a decreasing adjustment that a Grower has.

Section 82KL: recouped expenditure

75. Section 82KL is a specific anti-avoidance provision that operates to deny an otherwise allowable deduction for certain expenditure incurred, but effectively recouped, by the taxpayer. Under subsection 82KL(1), a deduction for certain expenditure is disallowed where the sum of the ‘additional benefit’ plus the ‘expected tax saving’ in relation to that expenditure equals or exceeds the ‘eligible relevant expenditure’.

76. ‘Additional benefit’ (see the definition of ‘additional benefit’ at subsection 82KH(1) and paragraph 82KH(1F)(b)) is, broadly speaking, a benefit that is additional to the benefit for which the expenditure is ostensibly incurred. The ‘expected tax saving’ is

essentially the tax saved if a deduction is allowed for the relevant expenditure.

77. Section 82KL's operation depends, among other things, on the identification of a certain quantum of 'additional benefits'. Here, there may be a loan provided to the Grower. The loan will be provided on a full recourse basis, and on commercial terms. Insufficient 'additional benefits' will be provided in respect of this Project, to trigger the application of section 82KL. It will not apply to deny the deductions otherwise allowable under section 8-1.

Section 82KZM: prepaid expenditure for small business taxpayers

78. Section 82KZM operates to spread over more than one income year a deduction for prepaid expenditure incurred by a 'small business taxpayer' that would otherwise be immediately deductible, in full, under section 8-1. The section applies if certain expenditure incurred under an agreement is in return for the doing of a thing under the agreement that is not wholly done within 13 months after the day on which the expenditure is incurred.

79. Under the Management Agreement the initial management fee will be incurred upon execution of the Agreement. This fee is charged for providing services to a Growers only for the period of 13 months from the date of execution of the 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 evidence this fee is for services to be provided within 13 months of the fee being incurred.

80. Thus, for the purposes of this Ruling, it is accepted that no part of the initial management fee is for the Manager to do 'things' that are not to be wholly done within 13 months of the fee being incurred. On this basis, the basic precondition for the operation of section 82KZM is not satisfied and it will not apply to the expenditure for the Management fee by Growers who are 'small business taxpayers'.

Sections 82KZMA - 82KZMD: prepaid expenditure for taxpayers other than small business taxpayers

81. For a Grower who is not a 'small business taxpayer' and is carrying on a business sections 82KZMA to 82KZMD, determine the amount of a deduction otherwise allowable under section 8-1 where expenditure is incurred under an agreement for the doing of a thing that is not to be wholly done within the income year in which the expenditure is incurred (the expenditure year). Generally, these

provisions operate to limit the amount of deduction available in the expenditure year to the amount that relates to that income year.

82. Section 82KZMA is a gateway provision that sets out when the new treatment will apply. Sections 82KZMB and 82KZMC set out the rules for prepayments incurred in the transitional period, for things to be done wholly within 13 months. For Growers investing in the Project transitional treatment applies to prepayments initially incurred in the 1999-2000 income year. Section 82KZMD governs the deductibility of prepayment expenditure where the eligible service period ends more than 13 months after the date the expenditure was incurred, and does not apply to the Project.

83. The deduction available to Growers for the management fee and the lease fee will be determined in accordance with the rules contained in section 82KZMB. Because the quantum of both the management fee and the lease fee is lower in the second and subsequent years, the capping provisions contained in section 82KZMC will have no practical effect on the deduction available.

84. During the transitional period the amount of the deduction available to Growers is determined using the formula in subsection 82KZMB(3) and the percentages shown in the table in subsection 82KZMB(5).

Proposed changes to prepayment rules

85. The changes announced by the Government to apply from 11 November 1999 but not yet enacted will affect all taxpayers that participate in a 'tax shelter arrangement' and prepay expenditure for up to 13 months. It is proposed that deductions otherwise allowable under section 8-1 of the ITAA 1997 are spread over the period to which the prepayment relates. Under the proposed changes, there will be no exemption for small business taxpayers and no transitional rules will apply.

86. A tax shelter arrangement is described as existing where:

- under the arrangement, the taxpayer's allowable deductions exceed the assessable income for that year; and
- all significant aspects of the arrangement during the income year are conducted by people (eg.; a manager) other than the taxpayer; and either:
  - more than one taxpayer participates in the arrangement; or

- the manager, or an associate of the manager, also manages similar arrangements on behalf of others.

87. The arrangement relating to the Project and described at paragraphs 14 to 46 of this product ruling is within the description of a ‘tax shelter arrangement’. Therefore, the management fee and the lease fee incurred by Growers who invest in the Project after 11 November 1999 will be deductible over the period the services are provided. The formula for this apportionment is expected to be the same as that currently shown in section 82KZMD(2).

Section 42-15: trellising expenditure

88. Growers will incur expenditure on trellising on which the vines are grown, to be used on the Grower’s behalf in the operation of the vineyard business.

89. Trellising is plant for the purposes of section 42-18. Under section 42-15 taxpayers can claim a deduction for depreciation on an item of plant used for the purposes of producing assessable income where they are the owners or quasi-owners of that plant. However, where an item is affixed to land so that it becomes a fixture, at common law it becomes part of the land and is legally, and absolutely, owned by the owner of the land.

90. However, it is accepted in certain circumstances that lessees are entitled to claim depreciation where they are considered to be the owners of those improvements. Taxation Ruling IT 175 sets out the ATO’s views on this issue. Where lessees are considered to own the improvements under a state law or where they have a right to remove the fixture or are entitled to receive compensation for the value of the fixture, the ATO accepts the lessee is entitled to claim depreciation for the fixture. A deduction for depreciation is allowable on plant from the date it is installed and ready for use.

91. Under the Lease Agreement, the Grower has a right to remove the trellising at the end of the Project. The Grower’s expenditure attributable to the acquisition and installation of trellising on the Leased Area has been identified as $9,500 per participation.

92. Under section 42-15, Growers are entitled to depreciation deductions for expenditure relating to the acquisition and installation of trellises on the land. The deduction commences at the date on which the trellising is installed and begins to be used for the purpose of producing assessable income. The Manager has given an undertaking to the ATO to advise Growers of the date of installation. The deduction available, however, will depend on whether or not the Grower is a ‘small business taxpayer’ as defined in section 960-335

and, if so, whether the Grower complies with the conditions contained in section 42-345.

93. The depreciation deduction available to Growers that are 'small business taxpayers' and who comply with the conditions contained in section 42-345 is calculated using the cost of the trellising and a rate of 13% prime cost or 20% diminishing value. These accelerated rates of depreciation are shown in section 42-125 and apply to plant with an effective life of between 13 and 30 years.

94. Growers who are not 'small business taxpayers' will have entered the Project after 11:45 am, AEST, 21 September 1999, and will not be able to claim accelerated depreciation on plant to be used in the Project because of section 42-118. The deduction for such Growers is calculated using the cost of the trellising and its effective life only. Subdivision 42-C provides the choice of methods available for determining the effective life of plant.

Subdivision 387-A - Landcare provisions

95. Capital expenditure incurred by a person carrying on a primary production business in respect of various measures primarily and principally for the prevention of land degradation qualifies for a 100% deduction in the year in which the expenditure is incurred, under Subdivision 387-A. The expenditure that qualifies includes the eradication of animal and vegetable pests and other measures, including fencing, to prevent soil erosion, salinity, and preserve natural vegetation (section 387-60).

96. In order for the expenditure to qualify as a deduction under section 387-55, a business must be carried on at the time the expenditure was incurred. It is considered that a business has commenced at the time the expenditure is incurred. It is accepted that the execution of the Joint Venture Agreement is sufficient to constitute the commencement of a business. The business is considered to have commenced at the time the management fees were incurred by the Growers.

97. The relevant expenditure attributable to eligible Landcare measures for the purposes of sections 387-55 and 387-60 has been identified as $200.

Subdivision 387-B - irrigation expenditure

98. Section 387-125 allows a taxpayer, who is carrying on a business of primary production on land in Australia, to claim a deduction for capital expenditure on conserving or conveying water. The deduction is allowed over a three year period and applies to plant or a structural improvement primarily or principally used for the

purpose of conserving or conveying water for use in a primary production business. The irrigation system and dam of the kind proposed by this Project would be covered by Subdivision 387-B.

99. The growing of grapevines to produce wine grapes for commercial exploitation is considered to be a primary production business, provided the taxpayer is actually carrying on a business. The Growers of the Project satisfy the requirements of section 387-125. Accordingly, the dam and irrigation costs totalling $4,625, are deductible in equal amounts over three (3) years of income, commencing in the year of income the Grower incurs that expenditure.

Subdivision 387-C - horticultural plant expenditure

100. Section 387-165 allows capital expenditure on establishing horticultural plants for use in a horticultural business to be written off for tax purposes. Under subsection 387-170(3), the definition of 'horticulture' includes the cultivation of grapevines. For the purpose of this Subdivision, a lessee or licensee of land carrying on a business of horticulture is treated as owning the plants growing on that land rather than the actual owner of the land.

101. Horticultural establishment expenditure may include the cost of acquiring the plants, the cost of establishing the plants, and the costs of ploughing, contouring, top dressing, fertilising and stone removal. Expressly excluded is expenditure incurred on draining swamps or the clearing of land. The Grower's cost of vine establishment has been identified as $4,924 per participation.

102. The rate of the write-off will be 13% per year on a prime cost basis, assuming the effective life of the vines is greater than 13 but less than 30 years (section 387-185).

103. The write-off commences from the date the vines are used or held ready for use for the purpose of producing assessable income in a horticultural business (sections 387-165 and 387-170). The Manager anticipates the vines will enter their first commercial season and, hence, begin to be used for the purpose of producing assessable income in a horticultural business in the year ended 30 June 2004. The Grower's cost of vine establishment will be eligible for write-off deductions at a rate of 13% from this date.

104. The Manager has given an undertaking to the ATO to advise Growers of the actual date of commencement of the first commercial season if it differs from that anticipated. In this case, the deduction specified at the tables at paragraph 50 and 53 will need to be recalculated based on the actual date on which the first commercial season commences.

Subdivision 960-Q - Small business taxpayers

105. In this product ruling the term 'small business taxpayer' is relevant for the purposes of certain prepaid expenditure and depreciation of trellising.

106. Whether a Grower is a 'small business taxpayer' depends upon the individual circumstances of each Grower and is beyond the scope of this product ruling. It is the individual responsibility of each Grower to determine whether or not they are within the definition of a 'small business taxpayer'.

107. A 'small business taxpayer' is defined in section 960-335 of the ITAA 1997 as a taxpayer who is carrying on a business and either their 'average turnover' for the year is less than $1,000,000 or their turnover recalculated under section 960-350 of the ITAA 1997 is less than $1,000,000.

108. 'Average turnover' is determined under section 960-340 by reference to the average of the taxpayer's 'group turnover'. The 'group turnover' is the sum of the 'value of business supplies' made by the taxpayer and entities connected with the taxpayer during the year (section 960-345 of the ITAA 1997).

Part IVA - general tax avoidance provisions

109. 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).

110. The Project will be a 'scheme'. The Growers will obtain a 'tax benefit' from entering into the scheme, in the form of tax deductions for the amounts detailed at paragraphs 50 and 53, that would not have been obtained but for the scheme. However, it is not possible to conclude the scheme will be entered into or carried out with the dominant purpose of obtaining this tax benefit.

111. Growers to whom this Ruling applies intend to stay in the scheme for its full term and derive assessable income from the harvesting and sale of grapes. There are no facts that would suggest that Growers have the opportunity of obtaining a tax advantage other than the tax advantages identified in this Ruling. There is no non-recourse financing or round robin characteristics, and no indication that the parties are not dealing with each other at arm's length, or, if any parties are not arm's length, that any adverse tax consequences result. Further, having regard to the factors to be considered under paragraph 177D(b) it cannot be concluded, on the information available, that participants will enter into the scheme for the dominant purpose of obtaining a tax benefit.

Example

112. **Example 1: Obligation to prepay expenditure arising on or after 11.45 am AEST 21 September 1999 and before 1 pm AEST 11 November– applies to taxpayers who are not small business taxpayers and are carrying on a business:**

Joseph Gardener has extensive business interests and his turnover for the 1999/2000 income year exceeds $1 million. Therefore, he is not a small business taxpayer and is subject to the 21 September 1999 changes to the tax laws relating to prepaid expenditure. Joseph enters into a contract with Pinetree Pty Ltd to manage his one-hectare interest in the No 2 Pine Plantation. Joseph's management contract is executed on 20 October 1999 for management services to be provided from 1 June 2000. Under the contract, the first five year's management fees, payable 12 months in advance on 1 June each year, are $6,000 in the first year and $1,200 for each of the following four years.

Joseph is unable to deduct the whole of his prepaid management fees in the years in which they are incurred. The fees are instead deductible over the eligible service period over which the management services will be provided. However, as the law currently stands, Joseph is able to take advantage of certain transitional rules that 'shade-in' the effect of the changes to the prepayment laws.

For 1999/2000 Joseph can claim a deduction of $4,899 for expenditure incurred before 30 June 2000 on management fees. This amount is A + B where:

$$A = \text{Expenditure X} \quad \frac{\text{Number of days of eligible service period in the expenditure year}}{\text{Total number of days of the eligible service period}}$$

$$A = \$6{,}000 \text{ X } \frac{30}{365} = \$493$$

B = (Management fee *less* A) X 80%

B = ($6,000 - $493) X 80% = $4,406

The balance of the $6,000 management fees that were prepaid on 1 June 2000 (i.e., $1,101) is carried forward and can be claimed as a deduction in the 2000/2001-income year. For 2000/2001, Joseph can claim a deduction of $1,861 for expenditure incurred after 1 July 2000 and before 30 June 2001 on management fees. This amounts is calculated as A + B + C where:

$A = \$1,200 \text{ X } \frac{30}{365} = \$99$

B = ($1,200 - $99) X 60% = $661

C = $1,101

Note: that the third component (Part C) is the amount carried forward from 1999/2000. As in the first year, the balance of the $1,200 management fees prepaid on 1 June 2001 (i.e., $440) is carried forward and can be claimed as a deduction in the 2001/2002-income year. It should also be noted that in certain circumstances, not present in most Projects with product rulings, 'capping provisions' will apply in the second and subsequent transitional years. These are complex and are not explained in this example.

Similarly, For 2001/2002, Joseph can claim a deduction of $980 for expenditure incurred after 1 July 2001 and before 30 June 2002 on management fees. This amounts is calculated as A + B + C where:

$A = \$1,200 \text{ X } \frac{30}{365} = \$99$

B = ($1,200 - $99) X 40% = $441

C = $440

Note: that the third component (Part C) is again the amount carried forward from 2000/2001. As in the first two years, the balance of the $1,200 management fees prepaid on 1 June 2002 (i.e., $660) is carried forward and can be claimed as a deduction in the 2002/2003-income year.

113. **Example 2: Obligation arising after 1pm AEST 11 November 1999 to prepay expenditure – applies to all taxpayers investing in 'tax shelter arrangements':**

Assume the same facts as above except that the management agreement is executed after 11 November 1999. Assume also that the No 2 Pine Plantation is a 'tax shelter arrangement'. For the management fee of $6,000 incurred on 1 June 2000 for management services to be provided between that date and 31 May 2001, Joseph can claim a deduction for the 1999/2000 income year determined in the following way:

$$\text{Management fee X } \frac{\text{Number of days of eligible service period in the expenditure year}}{\text{Total number of days of the eligible service period}}$$

$$\$6{,}000 \text{ X } \frac{30}{365} = \$493$$

In the following year Joseph can claim the balance of the $6,000 prepayment (i.e., $5,507) because that is the year in which the services are to be provided. The second and third year's management fees are calculated using the same method.

Detailed contents list

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

Commissioner of Taxation
7 June 2000

Previous draft:
Not previously issued in draft form

Related Rulings/Determinations:

IT 175; TR 92/1; TR 92/20; TR 97/11; TR 97/16; TD 93/34; TR 98/22; PR 1999/95

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:
- ITAA 1936 51(1)
- ITAA 1936 82KH(1)
- ITAA 1936 82KH(1F)(b)
- ITAA 1936 82KL
- ITAA 1936 82KL(1)
- ITAA 1936 82 KZL
- ITAA 1936 82KZM
- ITAA 1936 Pt IVA
- ITAA 1936 177A
- ITAA 1936 177C
- ITAA 1936 177D
- ITAA 1936 177D(b)
- ITAA 1997 6-5
- ITAA 1997 8-1
- ITAA 1997 8-1(2)(a)
- ITAA 1997 27-5
- ITAA 1997 27-30
- ITAA 1997 42-15
- ITAA 1997 42-18
- ITAA 1997 42-25
- ITAA 1997 42-118
- ITAA 1997 42-125
- ITAA 1997 42-160
- ITAA 1997 42-165
- ITAA 1997 42-345
- ITAA 1997 Subdiv 387-A
- ITAA 1997 387-55
- ITAA 1997 387-60
- ITAA 1997 Subdiv 387-B
- ITAA 1997 387-125
- ITAA 1997 387-130
- ITAA 1997 387-150
- ITAA 1997 Subdiv 387-C
- ITAA 1997 387-165
- ITAA 1997 387-170(3)
- ITAA 1997 387-175
- ITAA 1997 387-185
- ITAA 1997 Subdiv 960Q
- ITAA 1997 960-335
- ITAA 1997 960-340
- ITAA 1997 960-345
- ITAA 1997 960-350
- ITAA 1997 995-1(1)

Case references:
- Ronpibon Tin v. FC of T
  78 CLR 47; (1949) 8 ATD 431

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