PR 2002/34 - Income tax: ARA Forestry Project

Australian Taxation Office

Product Ruling
Income tax: ARA Forestry Project

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Potential participants 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.*
*[**Note:** This is a consolidated version of this document. Refer to the Tax Office Legal Database (http://law.ato.gov.au) to check its currency and to view the details of all changes.]*

No guarantee of commercial success

The Australian Taxation Office (ATO) **does not** sanction or guarantee this product. 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 participants 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 this product fits an existing portfolio, etc. We recommend a financial (or other) adviser be consulted for such information.

This Product Ruling provides certainty for potential participants 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, participants lose the protection of this Product Ruling. Potential participants may wish to seek assurances from the promoter that the arrangement will be carried out as described in this Product Ruling.

Potential participants 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 persons who take part in the arrangement to which this Ruling refers. In this Ruling this arrangement is sometimes referred to as the ARA Forestry Project, or simply as 'the Project'.

Tax laws

2. The tax laws dealt with in this Ruling are:

- Section 6-5 of the *Income Tax Assessment Act 1997* ('ITAA 1997');
- Section 8-1 (ITAA 1997);
- Section 17-5 (ITAA 1997);
- Division 27 (ITAA 1997);
- Division 35 (ITAA 1997);
- Division 328 (ITAA 1997);
- Section 82KL of the *Income Tax Assessment Act 1936* ('ITAA 1936');
- Section 82KZL (ITAA 1936);
- Section 82KZME (ITAA 1936);
- Section 82KZMF (ITAA 1936); and
- Part IVA (ITAA 1936).

Goods and Services Tax

3. In this Ruling all fees and expenditure referred to include Goods and Services Tax ('GST') where applicable. In order for an entity (referred to in this Ruling as a Grower) to be entitled to claim input tax credits for the GST included in its expenditure, it must be registered or required to be registered for GST and hold a valid tax invoice.

Changes in the Law

4. The Government is currently evaluating further changes to the tax system in response to the Ralph *Review of Business Taxation* and continuing business tax reform is expected to be implemented over a number of years. Although this Ruling deals with the taxation

legislation enacted at the time it was issued, later amendments may impact on this Ruling. Any such changes will take precedence over the application of this Ruling and, to that extent, this Ruling will be superseded.

5. Taxpayers who are considering participating in the Project are advised to confirm with their taxation adviser that changes in the law have not affected this Product Ruling since it was issued.

Note to promoters and advisers

6. Product Rulings were introduced for the purpose of providing certainty about tax consequences for participants in projects such as this. In keeping with that intention, the Tax Office suggests that promoters and advisers ensure that participants are fully informed of any legislative changes after the Ruling is issued.

Class of persons

7. The class of persons to whom this Ruling applies is the persons who are more specifically identified in the Ruling part of this Product Ruling and who enter into the arrangement specified 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. In this Ruling these persons are referred to as ‘Growers’.

8. 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

9. The Commissioner rules on the precise arrangement identified 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. The Ruling will be withdrawn or modified.

Date of effect

11. This Ruling applies prospectively from 3 April 2002, 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 that private ruling if the income year to which it relates has ended or has commenced but not yet ended. However if the arrangement covered by the private ruling has not commenced, 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

13. This Product Ruling is withdrawn and ceases to have effect after 30 June 2004. The Ruling continues to apply, in respect of the tax laws ruled upon, to all persons within the specified class who enter into the arrangement specified below. 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

14. The arrangement that is the subject of this Ruling is specified below. This arrangement incorporates the following documents:

- Application for a Product Ruling by ARA Forestry Services Pty. Ltd (the Applicant) dated 15 November 2001;
- Draft Prospectus for the ARA Forestry Project ('the Prospectus') dated 5 March 2002;
- Draft Constitution for the ARA Forestry Project ('the Project Constitution') between ARG Management Limited as the Responsible Entity and the Grower(s) dated 8 March 2002;

- **Draft Project Management Agreement between the Grower and ARG Management Limited ('the Project Management Agreement) dated 8 March 2002**;
- **Draft Timber Lot Licence Agreement between the Grower and ARG Management Limited ('the Timber Lot Licence Agreement') dated 8 March 2002**;
- Draft Custodian Agreement between ARG Management Limited and ARG Custodians Limited ('Custodian Agreement');
- Draft Plantation Management Agreement between ARG Management Limited and ARA Forestry Services Pty Ltd ('the Plantation Management Agreement');
- Letter of Intent to buy land dated 4 March 2002;
- Draft Lease by ARA Properties Pty. Ltd as Lessor to ARG Custodians Limited as Lessee ('the Lease');
- Draft Sublease by ARG Custodians Limited as Sublessor to ARG Management Limited as Sublessee ('the Sublease');
- Draft Compliance Plan by ARG Management Limited ('the Compliance Plan') and
- Correspondence between the Australian Taxation Office and the Applicant dated 19 February 2002, 27 February 2002, 6 March 2002, 8 March 2002, 11 March 2002, 15 March 2002, 19 March 2002, 20 March 2002, 21 March 2002, 22 March 2002, 31 May 2002 and 4 June 2002;
- Draft Supplementary Constitution for the ARA Forestry Project received by the Australian Taxation Office on 4 June 2002;
- Draft Supplementary Prospectus for the ARA Forestry Project received by the Australian Taxation Office on 4 June 2002; and
- Amended Project Management Agreement for the ARA Forestry Project received by the Australian Taxation Office on 4 June 2002.

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

15. The documents highlighted are those that the Growers enter into. There are no other agreements, whether formal or informal, and whether or not legally enforceable, which a Grower, or an associate of the Grower will be a party to that are part of the arrangement to which this Ruling applies.

16. All Australian Securities and Investments Commission (ASIC) requirements are, or will be, complied with for the term of the agreements. The effect of the agreements may be summarised as follows.

Overview

17. The arrangement is called the ARA Forestry Project. In the Prospectus to be lodged with the ASIC, members of the public are invited to participate in the Project as Growers and to conduct a business of commercially growing the species of tree known as *Paulownia fortunei* for harvest and sale. The Project is expected to run for a period of approximately eight (8) years ('the First Rotation') and then for another optional 5-8 year period ('the Second Rotation').

Location	Kyogle, New South Wales
Type of business each participant is carrying on	Commercial growing and cultivation of Trees for the purpose of harvesting and selling timber.
Number of Timber Lots on offer	1,000
Minimum subscription	250
Minimum number of Timber Lots per application	1
Size of each Timber Lot	0.125 hectares
Number of trees per Timber Lot	50
The term of the Project	**First Rotation**: Expected to be between 8-12 years; **Second Rotation (optional term):** There may be an extension of the term of the Project into a second planting and harvest.
Initial cost per Timber Lot	$4,400

Ongoing costs	Project Management Fees, Licence Fees, Harvesting, Milling and Marketing costs

18. At the time of completing the application to participate in the Project, each Grower will execute a Power of Attorney, authorising ARG Custodians Ltd ('the Custodian') to enter into the Timber Lot Licence and the Project Management Agreement on the Grower's behalf.

19. ARA Properties Pty Ltd ('the Land Holder') will purchase or lease the land on which the Project will be conducted ('the Project Land'). Portions 92 & 93 Lot 1 Deposited Plan 184408 and Lot 302 Deposited Plan 859046 are situated in the Parish of Stratheden, County of Rous, Local Government Area of Kyogle. Lot 2 Deposited Plan 871944 is in the Richmond Valley Shire. The Land Holder will subsequently lease the Project Land to the Custodian. The Custodian will sub-lease the Project Land to ARG Management Limited ('the Responsible Entity and Project Manager') pursuant to the Custodian Agreement.

20. Two water licences are attached to the Project Land (Eden Creek numbers SL04977 and SL066188) allowing a total allocation of 540 megalitres per annum.

Constitution

21. The Constitution is between ARG Management Limited (in its capacity as the Responsible Entity) and Growers. The Constitution sets out the terms and conditions under which ARG Management Limited agrees to act for the Growers and agrees to manage the Project. Growers are bound by the Constitution by virtue of their participation in the Project. ARG Management Limited will keep a register of Growers.

22. No interests in the Project will be issued between 20 June 2002 and 30 June 2002 (clause 5.8).

Timber Lot Licence Agreement

23. The Responsible Entity will grant a licence ('the Timber Lot Licence') to occupy one or more parcels of land called 'Timber Lots' to each Grower for the purposes of establishing, planting, maintaining and harvesting the Trees on each Timber Lot and the creation of a carbon sequestration sink.

24. The Responsible Entity will grant a licence to each Grower to use in common with all other Growers the silvicultural infrastructure on the Project Land as is required for the Project, including all irrigation facilities (dams, bores and reticulation services), access to electricity supply, machinery sheds and staff amenities.

Project Management Agreement

25. Each Grower will enter into the Project Management Agreement with the Responsible Entity in its capacity as Project Manager, whereby each Grower engages the services of the Project Manager to establish, plant, maintain and harvest the trees to comply with the Grower's obligations under the Timber Lot Licence, and to mill, market and sell the timber attributable to the trees on their behalf. The Project Manager appoints the Plantation Manager to establish and manage the Growers Timber Lots and harvest, mill and market the Grower's timber.

26. There are 1,000 Timber Lots to be offered, each consisting of 0.125 hectares. The Responsible Entity reserves the right to accept oversubscriptions. The minimum subscription is 250 Timber Lots. If minimum subscription is not reached within 4 months of the date of the Prospectus the Project will not commence, no Timber Lots will be issued, the Subscriptions will be returned within 7 days and the Product Ruling will be withdrawn.

27. A Grower must apply for a minimum of 1 Timber Lot. Any Timber Lot that does not have the minimum planting density of 50 healthy growing trees 13 months after the initial planting date will have replacement trees transplanted into the Grower's Timber Lot at the Plantation Manager's expense.

28. The trees will be harvested when the Responsible Entity determines they are sufficiently mature. This is expected to be during or after the eighth year after planting. The costs for the harvesting, milling, marketing and sale of the timber harvested from each Grower's Timber Lot are outlined at paragraph 31.

Fees

29. The fees payable by the Grower to the Responsible Entity under Clause 5.1 of the Project Management Agreement during the First Rotation (subject to the Responsible Entity's right of adjustment to increase costs to reflect the actual costs the Responsible Entity incurs in accordance with Clause 5.9) are:

(i) $4,290.00 per Timber Lot payable on application for plantation preparation, establishment and maintenance services provided from the date of allotment until:

- 30 June 2002 for an application accepted prior to 20 June 2002; or
- 30 June 2003 for an application accepted after 30 June 2002.

No applications will be accepted between 20 June 2002 and 30 June 2002.

(ii) $880 per Timber Lot payable on 1 July of Year two for that Grower annually indexed for CPI from 30 June 2002 for plantation maintenance services provided until the end of Year two for that Grower.

(iii) $605 per Timber Lot payable on 1 July of Year three for that Grower annually indexed for CPI from 30 June 2002 for plantation maintenance services provided until the end of Year three for that Grower.

(iv) $495 per Timber Lot payable on 1 July of Year four for that Grower annually indexed for CPI from 30 June 2002 for plantation maintenance services provided until the end of Year four for that Grower.

(v) $330 per Timber Lot payable on 1 July of each subsequent Year for that Grower annually indexed for CPI from 30 June 2002 for annual plantation maintenance services provided until Harvest but not including the Harvest Year.

30. In consideration for the rights granted by the Timber Lot Licence for the First Rotation, each Grower must pay the Responsible Entity Timber Lot Licence Fees in respect of each Timber Lot occupied by the Grower, as follows:

(i) $110 for the period from the date of allocation of the Timber Lot to the Grower to the next 30 June; and

(ii) on 1 July each year thereafter, a fee equalling the previous year fee indexed by CPI and increased on account of GST, payable annually in advance for each 12 month period until the end of the First Rotation including the year of harvest.

31. The Grower is also liable to pay harvesting, milling and marketing fees. The fees will be deducted from the gross sale proceeds of the Grower's timber. The amount of these fees and their method of calculation, as per clauses 5.5 to 5.7 of the Project Management Agreement, are listed below:

- The harvest fee is calculated on actual cost per cubic metre plus 15 percent

- The milling fee is calculated on actual cost per cubic metre plus 15 percent
- The timber marketing fee will be a sum equivalent to 2.5 percent of the gross sale price of the Timber Attributable to the Grower's Timber Lot.

32. All Growers will receive proceeds from harvested timber. However the share of the proceeds will depend on whether Growers choose to insure their Timber lot or not .in accordance with clause 7.2 of the Project Management Agreement. Growers will have an interest in, and entitlement to share in, the Insured Proceeds Fund or the Uninsured Proceeds Fund depending on whether the Grower elects to insure his/her Timber Lot.

33. The Insured Proceeds Fund will contain the following:

- The pooled gross proceeds from the sale of Timber and Carbon Sequestration Credits produced on the insured Timber Lots;
- The pooled gross proceeds of any insurance policy to which the Growers who have insured all of their Timber Lots are entitled to benefit; and
- All other pooled income, entitlements and benefits attributable to the Project or Growers participating in the Project with the exception of gross proceeds from the sale of Timber and Carbon Sequestration Credits produced on the non-insured Timber Lots,.

34. Growers who do not elect to insure their Timber Lots will not share in the Insured Proceeds Fund and will only be entitled to their share of the pooled gross proceeds from the sale of Timber and Carbon Sequestration Credits produced on all non-insured Timber Lots.

35. All monies payable by Growers for the purposes of the Project are payable to the Responsible Entity to be held by the Custodian as agent for the Responsible Entity in accordance with the Custodian Agreement.

36. The Project or any agreement entered into in connection with the Project does not permit the Application Money (or any part of the Application Money) to be placed on deposit or otherwise made available to a financier (or associate of a financier) who provides the Application Money.

37. In the event that a Grower defaults and continues in default in paying any moneys due to the Responsible Entity under the Project Management Agreement, the Responsible Entity can terminate the

Project Management Agreement with that Grower and cease carrying on the afforestation business on behalf of that Grower.

38. In the event that a Grower fails to pay a Timber Lot Licence Fee in respect of a Timber Lot to the Responsible Entity as agreed, the Responsible Entity can terminate the respective Timber Lot Licence, thereby extinguishing the Grower's right to occupy that Timber Lot or use the silvicultural infrastructure on the Project Land to conduct their afforestation business.

Carbon Sequestration Rights

39. Under clause 30 of the Constitution, 50 per of the benefits arising from Carbon Sequestration Rights will be distributed to Growers, in accordance with the number of interests held, after the following reductions for Land Holder's costs:

- Researching, quantifying, tracking and marketing Carbon sequestration units;
- The creation of reserve funds to meet potential future costs with respect to any carbon sequestration debits attributable to the growing, harvesting and milling of Timber; and
- A brokerage fee equivalent to 5 percent of any gross revenue attributable to the sale of Carbon Sequestration Rights.

Finance

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

41. This Ruling does not apply if the finance arrangement entered into by the Grower includes or has any of the following features:

- there are split loan features of a type referred to in Taxation Ruling TR 98/22;
- there are indemnity arrangements or other collateral agreements in relation to the loan designed to limit the borrower's risk;
- 'additional benefits' are or will be granted to the borrowers for the purpose of section 82KL or the funding arrangements transform the Project into a 'scheme' to which Part IVA may apply;
- the loan or rate of interest is non-arm's length;

- repayments of the principal and payments of interest are linked to the derivation of income from the Project;
- the funds borrowed, or any part of them, will not be available for the conduct of the Project but will be transferred (by any mechanism, directly or indirectly) back to the lender or any associate of the lender;
- lenders do not have the capacity under the loan agreement, or a genuine intention, to take legal action against defaulting borrowers; or
- entities associated with the Project are involved or become involved in the provision of finance to Growers for the Project.

Ruling

Application of this Ruling

42. This Ruling applies only to Growers who are accepted to participate in the Project during the life of the Prospectus and who have executed a Project Management Agreement and a Timber Lot Licence Agreement before that date. The Grower's participation in the Project must constitute the carrying on of a business of primary production.

Minimum subscription

43. A Grower is not eligible to claim any tax deductions until the Grower's application to enter the Project is accepted and the Project has commenced. Under the terms of the prospectus, a Grower's application will not be accepted and the Project will not proceed until the minimum subscription of 250 Timber Lots is achieved.

The Simplified Tax System ('STS')

Division 328

44. For a Grower participating in the Project, the recognition of income and the timing of tax deductions is different depending on whether the Grower is an 'STS taxpayer'. To be an 'STS taxpayer' a Grower:

- must be eligible to be an 'STS taxpayer'; and
- must have elected to be an 'STS taxpayer'.

Qualification

45. This Product Ruling assumes that a Grower who is an 'STS taxpayer' is so for the income year in which their participation in the Project commences. A Grower may become an 'STS taxpayer' at a later point in time. Also, a Grower who is an 'STS taxpayer' may choose to stop being an 'STS taxpayer', or may cease to be eligible to be an 'STS taxpayer', during the term of the Project. These are contingencies relating to the circumstances of individual Growers that cannot be accommodated in this Ruling. Such Growers can ask for a private ruling on how the taxation legislation applies to them.

Tax outcomes for Growers who are not 'STS taxpayers'

Assessable Income

Section 6-5

46. That part of the gross sales proceeds from the Project, including Carbon Sequestration Credits, attributable to the Grower's produce, less any GST payable on those proceeds (section 17-5), will be assessable income of the Grower under section 6-5.

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

Deductions for Project Management Fees and Licence Fee.

Section 8-1

48. A Grower who is not an 'STS taxpayer', and who is accepted into the Project by 19 June 2002 (no interests in Timber Lots will be issued from 20 June 2002 to 30 June 2002), may claim tax deductions for the following revenue expenses:

Fee Type	ITAA 1997 Section	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004
Project Management Fees	8-1	$4,290 – See Notes (i) & (ii) (below)	$880 (indexed)– See Notes (i) & (ii) (below)	$605 (indexed)– See Note (i) & (ii) (below)
Timber Lot Licence Fees	8-1	$110 – See Notes (i) & (ii) (below)	$110 (indexed)– See Notes (i) & (ii) (below)	$110 (indexed)– See Notes (i) & (ii) (below)

Notes:

(i) If the Grower is registered or required to be registered for GST, amounts of outgoing would need to be adjusted as relevant for GST (e.g., input tax credits): Division 27. See Example at paragraph 115;

(ii) The project management fees and the licence fees shown in the Project Management Agreement and the Timber Lot Licence Agreement are deductible in full in the year that they are incurred. However, if a Grower **chooses** to prepay fees for the doing of a thing (e.g., the provision of management services or the licensing of land) that will not be wholly done in the income year the fees are incurred, the prepayment rules of the ITAA 1936 may apply to apportion those fees. In such cases, the tax deduction for the prepaid fee must be determined using the formula shown in paragraph 91 unless the expenditure is 'excluded expenditure'. 'Excluded expenditure' is an 'exception' to the prepayment rules and is deductible in full in the year in which it is incurred. For the purpose of this Ruling 'excluded expenditure' refers to an amount of expenditure of less than $1,000.

49. A Grower who is not an 'STS taxpayer', and who is accepted into the Project between 1 July 2002 and 30 June 2003, may claim tax deductions for the following revenue expenses:

Fee Type	**ITAA 1997 Section**	**Year ended 30 June 2003**	**Year ended 30 June 2004**
Project Management Fees	8-1	$4,290 – See Notes (i) & (ii) (above)	$880 (indexed)– See Notes (i) & (ii) (above)
Timber Lot Licence Fees	8-1	$110 – See Notes (i) & (ii) (above)	$110 (indexed)– See Notes (i) & (ii) (above)

Tax outcomes for Growers who are 'STS taxpayers'

Assessable Income

Section 6-5

50. That part of the gross sales proceeds from the Project, including Carbon Sequestration Credits, attributable to the Grower's produce, less any GST payable on those proceeds (section 17-5), will be assessable income of the Grower under section 6-5

51. The Grower recognises ordinary income from carrying on the business of afforestation at the time the income is received (paragraph 328-105(1)(a)).

Deductions for Project Management Fees, Licence Fees, and Interest.

Section 8-1 and section 328-105

52. A Grower who is an 'STS taxpayer', and who is accepted into the Project by 19 June 2002 (no interests in Timber Lots will be issued from 20 June 2002 to 30 June 2002), may claim tax deductions for the following revenue expenses:

Fee Type	ITAA 1997 Sections	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004
Project Management Fee	8-1 & 328-105	$4,290 – See Notes (iii), (iv) & (v) (below)	$880 (indexed)– See Notes (iii), (iv) & (v) (below)	$605 (indexed)– See Notes (iii), (iv) & (v) (below)
Timber Lot Licence Fee	8-1 & 328-105	$110 – See Notes (iii), (iv) & (v) (below)	$110 (indexed)– See Notes (iii), (iv) & (v) (below)	$110 (indexed)– See Notes (iii), (iv) & (v) (below)

Notes:

(iii) If the Grower is registered or required to be registered for GST, amounts of outgoing would need to be adjusted as relevant for GST (e.g., input tax credits): Division 27. See Example at paragraph 115;

(iv) If, for any reason, an amount shown in the Table above is not fully paid in the year in which it is incurred by a Grower who is an 'STS taxpayer' then the amount is only deductible to the extent to which it has been paid, or has been paid for the Grower. Any amount or part of an amount shown in the Table above which is not paid in the year in which it is incurred will be deductible in the year in which it is actually paid;

(v) Where a Grower who is an 'STS taxpayer', pays the management fees and the rent in the relevant income years shown in the Project Management Agreement and the Timber Lot Licence Agreement, those fees are deductible in full in the year that they are paid.

However, if a Grower **chooses** to prepay fees for the doing of a thing (e.g., the provision of management services or the licensing of land) that will not be wholly done in the income year the fees are incurred, the prepayment rules of the ITAA may apply to apportion those fees. In such cases, the tax deduction for the prepaid fee must be determined using the formula shown in paragraph 91, unless the expenditure is 'excluded expenditure'. 'Excluded expenditure' is an 'exception' to the prepayment rules, and is deductible in full in the year in which it is incurred. For the purpose of this Ruling 'excluded expenditure' refers to an amount of expenditure of less than $1,000.

53. A Grower who is an 'STS taxpayer', and who is accepted into the Project between 1 July 2002 and 30 June may claim tax deductions for the following revenue expenses:

Fee Type	**ITAA 1997 Sections**	**Year ended 30 June 2003**	**Year ended 30 June 2004**
Project Management Fees	8-1 & 328-105	$4,290 – See Notes (iii), (iv) & (v) (above)	$880 (indexed)– See Notes (iii), (iv) & (v) (above)
Timber Lot Licence Fees	8-1 & 328-105	$110 – See Notes (iii), (iv) & (v) (above)	$110 (indexed)– See Notes (iii), (iv) & (v) (above)

Tax outcomes that apply to all Growers

Interest

54. The deductibility or otherwise of interest incurred by Growers who finance their participation in the Project through a loan facility with a bank or other financier is outside the scope of this Ruling. However all Growers who borrow funds in order to participate in the Project, should read the discussion of the prepayment rules in paragraphs 85 to 99 (below) as those rules may be applicable if interest is prepaid. Subject to the 'excluded expenditure' exception, the prepayment rules apply whether the prepayment is required under the relevant loan agreement or is at the Grower's choice.

Division 35 – Deferral of losses from non-commercial business activities

Section 35-55 – Commissioner's discretion

55. For a Grower who is an individual and who enters the Project during the year ended 30 June 2002 the rule in section 35-10 may

apply to the business activity comprised by their involvement in this Project. Under paragraph 35-55(1)(b) the Commissioner will decide for the income years ending 30 June 2002 to 30 June 2010 that the rule in section 35-10 does not apply to this activity provided that the Project is carried out in the manner described in this Ruling. Similarly, for a Grower who enters the Project during the year ended 30 June 2003, the Commissioner will decide for the income years ending 30 June 2003 to 30 June 2011 that the rule in section 35-10 does not apply to this activity provided that the Project is carried out in the manner described in this Ruling.

56. This exercise of the discretion in subsection 35-55(1) will not be required where, for any year in question:

- the 'exception' in subsection 35-10(4) applies (see paragraph 103 in the Explanations part of this ruling, below);
- a Grower's business activity satisfies one of the objective tests in sections 35-30, 35-35, 35-40 or 35-45;
- the Grower's business activity produces assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsection 35-10(2)); or
- the Commissioner is precluded from exercising the discretion under paragraph 35-55(1)(b) because of subsection 35-55(2).

57. Where, the 'exception' in subsection 35-10(4) applies, the Grower's business activity satisfies one of the tests, or the discretion in subsection 35-55(1) is exercised, section 35-10 will not apply. This means that a Grower will not be required to defer any excess of deductions attributable to their business activity in excess of any assessable income from that activity, i.e., any 'loss' from that activity, to a later year. Instead, this 'loss' can be offset against other assessable income for the year in which it arises.

58. Growers are reminded of the important statement made on Page 1 of this Product Ruling. Therefore, Growers should not see the Commissioner's decision to exercise the discretion in paragraph 35-55(1)(b) as an indication that the Tax Office sanctions or guarantees the Project or the product to be commercially viable. An assessment of the Project or the product from this perspective has not been made.

Sections 82KZME – 82KZMF, 82KL and Part IVA

59. For a Grower who participates in the Project and incurs expenditure as required by the Project Management Agreement and

the Timber Lot Licence Agreement the following provisions of the ITAA 1936 have application as indicated:

- expenditure by a Grower does not fall within the scope of sections 82KZME-82KZMF (but see paragraphs 85 to 99);
- section 82KL does not apply to deny the deductions otherwise allowable; 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.

Explanations

Is the Grower carrying on a business?

60. For the amounts set out in the Tables above to constitute allowable deductions the Grower's afforestation activities as a participant in the ARA Forestry Project must amount to the carrying on of a business of primary production.

61. Where there is a business, or a future business, the gross proceeds from the sale of the timber 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.

62. For schemes such as that of the ARA Forestry Project, Taxation Ruling TR 2000/8 sets out in paragraph 93 the circumstances in which the Grower's activities can constitute the carrying on of a business. As Taxation Ruling TR 2000/8 sets out, these circumstances have been established in court decisions such as *FCT v Lau* 84 ATC 4929, (1984) 16 ATR 55.

63. Generally, a Grower will be carrying on a business of afforestation, and hence primary production, if:

- the Grower has an identifiable interest (by licence) in the land on which the Grower's trees are established;
- the Grower has a right to harvest and sell the timber from those trees;
- the afforestation activities are carried out on the Grower's behalf;
- the afforestation activities of the Grower are typical of those associated with an afforestation business; and

- the weight and influence of general indicators point to the carrying on of a business.

64. In this Project, each Grower enters into a Project Management Agreement and a Timber Lot Licence Agreement.

65. Under the Timber Lot Licence Agreement each individual Grower will have rights over a specific and identifiable area of land. The Timber Lot Licence Agreement provides the Grower with an ongoing interest in the specific trees on the licensed area for the term of the Project. Under the licence the Grower must use the land in question for the purpose of carrying out afforestation activities, and for no other purpose. The licence allows the Responsible Entity to come onto the land to carry out its obligations under the Project Management Agreement.

66. Under the Project Management Agreement the Responsible Entity is engaged by the Grower to establish and maintain a Timber Lot on the Grower's identifiable area of land during the term of the Project. The Responsible Entity has provided evidence that it holds the appropriate professional skills and credentials to provide the management services to establish and maintain the Timber Lot on the Grower's behalf.

67. The Responsible Entity is also engaged to harvest and sell, on the Grower's behalf, the timber grown on the Grower's Timber Lot.

68. 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 Project's description for all the indicators.

69. The activities that will be regularly carried out during the term of the Project demonstrate a significant commercial purpose. Based on reasonable projections, a Grower in the Project will derive assessable income from the sale of the timber that will return a before-tax profit, i.e., a profit in cash terms that does not depend in its calculation on the fees in question being allowed as a deduction.

70. The pooling of timber grown on the Grower's Timber Lot with the timber of other Growers is consistent with general afforestation practices. Each Grower's proportionate share of the sale proceeds of the pooled timber will reflect the proportion of the trees contributed from their Timber Lot.

71. The Responsible Entity's services are also consistent with general silvicultural practices. They are of the type ordinarily found in afforestation ventures that would commonly be said to be businesses. While the size of a Timber Lot is relatively small, it is of a size and scale to allow it to be commercially viable (see Taxation Ruling IT 360).

72. The Grower's degree of control over the Responsible Entity as evidenced by the Project Management Agreement, and supplemented by the Corporations Act, is sufficient. During the term of the Project, the Manager will provide the Grower with regular progress reports on the Grower's Timber Lot and the activities carried out on the Grower's behalf. Growers are able to terminate arrangements with the Responsible Entity in certain instances, such as cases of default or neglect.

73. 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. For the purposes of this Ruling, the Growers' afforestation activities in the ARA Forestry Project will constitute the carrying on of a business.

The Simplified Tax System

Division 328

74. Subdivision 328-F sets out the eligibility requirements that a Grower must satisfy in order to enter the STS and Subdivision 328-G sets out the rules for entering and leaving the STS.

75. The question of whether a Grower is eligible to be an 'STS taxpayer' is outside the scope of this Product Ruling. Therefore, any Grower who relies on those parts of this Ruling that refer to the STS will be assumed to have correctly determined whether or not they are eligible to be an 'STS taxpayer'.

Deductibility of project management fees and licence fees

Section 8-1

76. Consideration of whether the initial project management fees and licence fees are deductible under section 8-1 begins with the first limb of the section. This view proceeds on the following basis:

- the outgoing 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 the second limb if they are incurred when the business has not commenced; and
- where all that happens in a year of income is that a taxpayer is contractually committed 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 the second limb applies. However,

that does not preclude the application of the first limb in determining whether the outgoing in question has a sufficient connection with activities to produce assessable income.

77. The project management fees and licence fees associated with the afforestation activities will relate to the gaining of income from the Grower's business of afforestation (see above), and hence have a sufficient connection to the operations by which income (from the harvesting and sale of timber) is to be gained from this business. 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. There is no capital component of the project management fee. The tests of deductibility under the first limb of section 8-1 are met. The exclusions do not apply.

Possible application of prepayment provisions

78. Under the Project Management Agreement and the Timber Lot Licence Agreement neither the project management fees nor the licence fees are for things to be done beyond 30 June in the year in which the relevant amounts are incurred. In these circumstances, the prepayment provisions in sections 82KZME and 82KZMF have no application to these fees.

79. However, where a Grower **chooses** to prepay these fees for a period beyond the income year in which the expenditure is incurred, the prepayment provisions (see paragraphs 85 to 99) will apply to determine the amount and timing of the deductions regardless of whether the Grower is an 'STS taxpayer' or not. These provisions apply to 'STS taxpayers' because there is no specific exclusion contained in section 82KZME that excludes 'STS taxpayers' from the operation of section 82KZMF. This is subject to the 'excluded expenditure' exception. For the purpose of this Ruling 'excluded expenditure' refers to an amount of expenditure of less than $1,000.

Timing of deductions

80. In the absence of any application of the prepayment provisions, the timing of deductions for the project management fees or the licence fees will depend upon whether a Grower is an 'STS taxpayer' or is not an 'STS taxpayer'.

81. If the Grower is not an 'STS taxpayer', the project management fees and the licence fees are deductible in the year in which they are incurred.

82. If the Grower is an 'STS taxpayer' the project management fees and the licence fees are deductible in the income year in which they are paid, or are paid for the Grower (paragraph 328-105(1)(b)). If any amount that is properly incurred in an income year remains unpaid at the end of that income year, the unpaid amount is deductible in the income year in which it is actually paid or is paid for the Grower.

Interest deductibility

Section 8-1

Growers who use a finance provider

83. The deductibility of interest incurred by Growers who finance their participation in the Project through a loan facility with a bank or financier is outside the scope of this Ruling. Product Rulings only deal with arrangements where all details and documentation have been provided to, and examined by the Tax Office.

84. While the terms of any finance agreement entered into between relevant Growers and such financiers are subject to commercial negotiation, those agreements may require interest to be prepaid. Alternatively, a Grower may choose to prepay such interest. Unless such prepaid interest is 'excluded expenditure' any tax deduction that is allowable will be subject to the prepayment provisions of the ITAA 1936 (see paragraphs 85 to 99).

Prepayment provisions

Sections 82KZL to 82KZMF

85. The prepayment provisions contained in Subdivision H of Division 3 of Part III of the ITAA 1936 affect the timing of deductions for certain prepaid expenditure. These provisions apply to certain expenditure incurred under an agreement in return for the doing of a thing under the agreement (e.g., the performance of management services or the licensing of land) that will not be wholly done within the same year of income as the year in which the expenditure is incurred. If expenditure is incurred to cover the provision of services to be provided within the same year, then it is not expenditure to which the prepayment rules apply.

86. For this Project only section 82KZL (an interpretative provision) and sections 82KZME and 82KZMF are relevant. Where the requirements of sections 82KZME and 82KZMF are met, taxpayers determine deductions for prepaid expenditure under section 82KZMF using the formula in subsection 82KZMF(1). These provisions also apply to 'STS taxpayers' because there is no specific

exclusion contained in section 82KZME that excludes ‘STS taxpayers’ from the operation of section 82KZMF.

Sections 82KZME and 82KZMF

87. Where the requirements of subsections 82KZME(2) and (3) are met, the formula in subsection 82KZMF(1) (see below) will apply to apportion expenditure that is otherwise deductible under section 8-1. The requirements of subsection 82KZME(2) will be met if expenditure is incurred by a taxpayer in return for the doing of a thing that is not to be wholly done within the year the expenditure is made. The year in which such expenditure is incurred is called the ‘expenditure year’ (subsection 82KZME(1)).

88. The requirements of subsection 82KZME(3) will be met where the agreement (or arrangement) has the following characteristics:

- the taxpayer’s allowable deductions under the agreement for the ‘expenditure year’ exceed any assessable income attributable to the agreement for that year;
- the taxpayer does not have effective day to day control over the operation of the agreement. That is, the significant aspects of the arrangement are managed by someone other than the taxpayer; and
- either:
  - (a) there is more than one participant in the agreement in the same capacity as the taxpayer; or
  - (b) the person who promotes, arranges or manages the agreement (or an associate of that person) promotes similar agreements for other taxpayers.

89. For the purpose of these provisions, the agreement includes all activities that relate to the agreement (subsection 82KZME(4)). This has particular relevance for a Grower in this Project who, in order to participate in the Project may borrow funds from a financier. Although undertaken with an unrelated party, that financing would be an element of the arrangement. The funds borrowed and the interest deduction are directly related to the activities under the arrangement. If a Grower prepays interest under such financing arrangements, the deductions allowable will be subject to apportionment under section 82KZMF.

90. There are a number of exceptions to these rules, but for Growers participating in this Project, only the ‘excluded expenditure’ exception in subsection 82KZME(7) is relevant. ‘Excluded

expenditure' is defined in subsection 82KZL(1). However, for the purposes of Growers in this Project, 'excluded expenditure' is prepaid expenditure incurred under the arrangement that is less than $1,000. Such expenditure is immediately deductible.

91. Where the requirements of section 82KZME are met, section 82KZMF applies to apportion relevant prepaid expenditure. Section 82KZMF uses the formula below, to apportion prepaid expenditure and allow a deduction over the period that the benefits are provided.

$$\text{Expenditure} \times \frac{\text{Number of days of eligible service period in the year of income}}{\text{Total number of days of eligible service period}}$$

92. In the formula 'eligible service period' (defined in subsection 82KZL(1)) means, the period during which the thing under the agreement is to be done. The eligible service period begins on the day on which the thing under the agreement commences to be done or on the day on which the expenditure is incurred, whichever is the later, and ends on the last day on which the thing under the agreement ceases to be done, up to a maximum of 10 years.

Application of the prepayment provisions to this Project

93. In this Project, an initial project management fee of $4,290 and an initial licence fee of $110 per Timber Lot will be incurred on execution of the Project Management Agreement and the Timber Lot Licence Agreement. The project management fee and the licence fee are charged for providing management services or licensing land to a Grower by 30 June of the year of execution of the Agreements. Under the Agreements, further annual expenditure is required each year during the term of the Project for the provision of management services and land until 30 June in those years.

94. In particular, the project management fee is expressly stated to be for a number of specified services. No explicit conclusion can be drawn from the description of the arrangement that the initial project management fee has been inflated to result in reduced fees being payable for maintenance in subsequent years.

95. There is also no evidence that might suggest the management services covered by the fee could not be provided within the relevant expenditure year. Thus, for the purposes of this Ruling, it can be accepted that no part of the initial project management fee, and the fees for subsequent years, is for the Responsible Entity doing 'things' that are not to be wholly done within the expenditure year. Under the Timber Lot Licence Agreement, licence fees are payable annually in advance for the licensing of the land during the expenditure year.

96. On this basis, provided a Grower incurs expenditure as required under the Project agreements, as set out in paragraphs 29 and

30, then the basic precondition in subsection 82KZME(2) is not satisfied and, in these circumstances, section 82KZMF will have no application.

*Growers who **choose** to pay fees for a period in excess of that required by the Project's agreements*

97. Although not required under either the Project Management Agreement or the Timber Lot Licence Agreement, a Grower participating in the Project may **choose** to prepay fees for a period beyond the 'expenditure year'. Similarly, Growers who use financiers may either choose, or be required to prepay, interest. Where this occurs, contrary to the conclusion reached in paragraph 96 above, section 82KZMF will apply to apportion the expenditure and allow a deduction over the period in which the prepaid benefits are provided.

98. For these Growers, the amount and timing of deductions for any relevant prepaid project management fees, prepaid licence fees, or prepaid interest will depend upon when the respective amounts are incurred and what the 'eligible service period' is in relation to these amounts.

99. However, as noted above, prepaid fees of less than $1,000 incurred in an expenditure year will be 'excluded expenditure' and will be not subject to apportionment under section 82KZMF.

Deferral of losses from non-commercial business activities

Division 35

100. Under the rule in subsection 35-10(2) a deduction for a loss incurred by an individual from certain business activities will not be allowable in an income year unless:

- the 'Exception' in subsection 35-10(4) applies;
- one of four objective tests in sections 35-30, 35-35, 35-40 or 35-45 is met; or
- if one of the objective tests is not satisfied, the Commissioner exercises the discretion in section 35-55.

101. Generally, a loss in this context is, for the income year in question, the excess of an individual taxpayer's allowable deductions attributable to the business activity over that taxpayer's assessable income from the business activity.

102. Losses that cannot be taken into account in a particular year of income, because of subsection 35-10(2), can be applied to the extent of future profits from the business activity, or are deferred until one of the tests is passed, the discretion is exercised, or the exception applies.

103. For the purposes of applying Division 35, subsection 35-10(3) allows taxpayers to group business activities 'of a similar kind'. Under subsection 35-10(4), there is an 'exception' to the general rule in subsection 35-10(2) where the loss is from a primary production business activity and the individual taxpayer has other assessable income for the income year from sources not related to that activity, of less than $40,000 (excluding any net capital gain). As both subsections relate to the individual circumstances of Growers who participate in the Project they are beyond the scope of this Product Ruling and are not considered further.

104. In broad terms, the tests require:

(a) at least $20,000 of assessable income in that year from the business activity (section 35-30);

(b) the business activity results in a taxation profit in 3 of the past 5 income years (including the current year)(section 35-35);

(c) at least $500,000 of real property, or an interest in real property, (excluding any private dwelling) is used on a continuing basis in carrying on the business activity in that year (section 35-40); or

(d) at least $100,000 of certain other assets (excluding cars, motor cycles and similar vehicles) are used on a continuing basis in carrying on the business activity in that year (section 35-45).

105. A Grower who participates in the Project will be carrying on a business activity that is subject to these provisions. Information provided with the application for this Product Ruling indicates that a Grower who acquires the minimum allocation of 1 Timber Lot in the Project in the year ended 30 June 2002 is unlikely to have their activity pass one of the objective tests. Similarly, a Grower who acquires the minimum allocation of 1 Timber Lot in the Project in the year ended 30 June 2003 is unlikely to have their activity pass one of the objective tests. Growers who acquire more than one interest in the Project may however, find that their activity meets one of the tests .

106. Therefore unless the Commissioner exercises an arm of the discretion under paragraphs 35-55(1)(a) or (b), the rule in subsection 35-10(2) will apply to defer to a future income year any loss that arises from the Grower's participation in the Project.

107. The first arm of the discretion in paragraph 35-55(1)(a) relates to 'special circumstances' applicable to the business activity, and has no relevance for the purposes of this Product Ruling. However, the second arm of the discretion in paragraph 35-55(1)(b) may be exercised by the Commissioner where:

(i) the business activity has started to be carried on;

(ii) because of its nature, it has not satisfied one of the objective tests; and

(iii) there is an objective expectation that the business activity of an individual taxpayer will either pass one of the objective tests or produce a taxation profit within a period that is commercially viable for the industry concerned.

108. Information provided with this Product Ruling indicates that a Grower who acquires the minimum investment of 1 Timber Lot in the Project in the year ended 30 June 2002 is expected to be carrying on a business activity that will either pass one of the objective tests, or produce a taxation profit, for the year ended 30 June 2011. The Commissioner will decide for such a Grower that it would be reasonable to exercise the second arm of the discretion until the year ended 30 June 2010. Similarly, a Grower who acquires the minimum allocation of 1 Timber Lot in the Project in the year ended 30 June 2003 is expected to be carrying on a business activity that will either pass one of the objective tests, or produce a taxation profit, for the year ended 30 June 2012. The Commissioner will decide for such a Grower that it would be reasonable to exercise the second arm of the discretion until the year ended 30 June 2011. Subsection 35-55(2) prevents the Commissioner exercising the discretion beyond this year.

109. This Product Ruling is issued on a prospective basis (i.e., before an individual Grower's business activity starts to be carried on). The Project, however, may fail to be carried on during the income years specified above (see paragraph 55), in the manner described in the Arrangement (see paragraphs 14 to 41). If so, this Ruling, and specifically the decision in relation to paragraph 35-55(1)(b), that it would be unreasonable that the loss deferral rule in subsection 35-10(2) not apply, may be affected, because the Ruling no longer applies (see paragraph 9). Growers may need to apply for private rulings on how paragraph 35-55(1)(b) will apply in such changed circumstances.

110. In deciding that the second arm of the discretion in paragraph 35-55(1)(b) will be exercised on this conditional basis, the Commissioner has relied upon:

- the report of the independent forester and additional expert evidence provided with the application by ARA Forestry Services Pty Ltd; and
- independent, objective, and generally available information relating to the afforestation industry which substantially supports cash flow projections and other claims, including prices and costs, in the Product

Ruling application submitted by ARA Forestry Services Pty Ltd.

Section 82KL - recouped expenditure

111. The operation of section 82KL depends, among other things, on the identification of a certain quantum of 'additional benefits(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 - general tax avoidance provisions

112. 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).

113. The ARA Forestry Project will be a 'scheme'. A Grower will obtain a 'tax benefit' from entering into the scheme, in the form of tax deductions for the amounts detailed at paragraphs 48, 49, 52 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.

114. 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 the timber. 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 at arm's length or, if any parties are not dealing at 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

Entitlement to GST input tax credits

115. Susan, who is a sole trader and registered for GST, contracts with a manager to manage her viticulture business. Her manager is registered for GST and charges her a management fee payable every six months in advance. On 1 December 2001 Susan receives a valid tax invoice from her manager requesting payment of a management fee in advance, and also requesting payment for an improvement in

the connection of electricity for her vineyard that she contracted him to carry out. The tax invoice includes the following details:

Management fee for period 1/1/2002 to 30/6/2002	$4 400*
Carrying out of upgrade of power for your vineyard	
as quoted	$2 200*
Total due and payable by 1 January 2002 (includes GST of $600)	$6 600

*Taxable supply

Susan pays the invoice by the due date and calculates her input tax credit on the management fee (to be claimed through her Business Activity Statement) as:

1/11 x $4400 = $400.

Hence her outgoing for the management fee is effectively $4400 *less* $400, or $4000.

Similarly, Susan calculates her input tax credit on the connection of electricity as:

1/11 x $2200 = $200.

Hence her outgoing for the power upgrade is effectively $2200 *less* $200, or $2000.

In preparing her income tax return for the year ended 30 June 2002, Susan is aware that the management fee is deductible in the year incurred. She calculates her management fee deduction as $4000 (not $4400).

Susan is aware that the electricity upgrade is deductible 10% per year over a 10 year period. She calculates her deduction for the power upgrade as $200 (one tenth of $2000 only, not one tenth of $2200).

Detailed contents list

116. Below is a detailed table of contents list for this Product Ruling:

Commissioner of Taxation
3 April 2002

Previous draft:
Not previously issued in draft form

Related Rulings/Determinations:
TR 92/1; TR 92/20; TR 97/11; TR 97/16; TR 98/22; TR 2000/8; TD 93/34; IT 360; PR 1999/95

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

Legislative references:
- TAA 1953 Pt IVAAA
- ITAA 1936 82KL
- ITAA 1936 82KZL
- ITAA 1936 82KZL(1)
- ITAA 1936 82KZME
- ITAA 1936 82KZME(1)
- ITAA 1936 82KZME(2)
- ITAA 1936 82KZME(3)
- ITAA 1936 82KZME(4)
- ITAA 1936 82KZME(7)
- ITAA 1936 82KZMF
- ITAA 1936 82KZMF(1)
- ITAA 1936 177A
- ITAA 1936 177(b)
- ITAA 1936 177C
- ITAA 1936 177D
- ITAA 1936 Pt IVA
- ITAA 1936 Pt III, Div 3,
- ITAA 1936 SubDiv H
- ITAA 1997 6-5
- ITAA 1997 8-1
- ITAA 1997 17-5
- ITAA 1997 Div 27
- ITAA 1997 Div 35
- ITAA 1997 35-10
- ITAA 1997 35-10(2)
- ITAA 1997 35-10(3)
- ITAA 1997 35-10(4)
- ITAA 1997 35-30
- ITAA 1997 35-35
- ITAA 1997 35-40
- ITAA 1997 35-45
- ITAA 1997 35-55
- ITAA 1997 35-55(1)
- ITAA 1997 35-55(1)(a)
- ITAA 1997 35-55(1)(b)
- ITAA 1997 35-55(2)
- ITAA 1997 Div 328-F
- ITAA 1997 Div 328-G
- ITAA 1997 Div 328
- ITAA 1997 328-105
- ITAA 1997 328-105(1)(a)
- ITAA 1997 328-105(1)(b)

Case references:
- FCT v. Lau 84 ATC 4929; (1984) 16 ATR 55

ATO references:
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