

# ***PR 2003/16A2 - Addendum - Income tax: ITC Sandalwood Project 2003***

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## Addendum

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### Product Ruling

### Income tax: ITC Sandalwood Project 2003

This Addendum amends Product Ruling PR 2003/16 to reflect changes to the simplified tax system legislation from 1 July 2005.

#### **PR 2003/16 is amended as follows:**

##### **1. Paragraph 54**

Replace the paragraph with:

54. To be an 'STS taxpayer' a Grower must be eligible to be an 'STS taxpayer' and must have elected to be an 'STS taxpayer'. Changes to the STS rules apply from 1 July 2005. From that date, STS taxpayers may use the accruals accounting method. For a Grower participating in the Project, the recognition of income and the timing of tax deductions is different under the STS where the Grower uses the cash accounting method.

##### **2. Paragraph 60**

(a) Replace the paragraph with:

60. A Grower who is an 'STS taxpayer' using the cash accounting method will recognise ordinary income from carrying on their business of afforestation in the income year in which that income is received.

(b) After the paragraph insert:

60A. For the 2005-06 and later income years, a Grower who is an 'STS taxpayer' using the accruals accounting method will recognise ordinary income from carrying on their business of afforestation in the income year in which that income is derived.

##### **3. Paragraph 61**

(a) Omit the first sentence of Note (viii) and substitute:

If, for any reason, an amount referred to or shown in the Table above is not fully paid in the income year in which it is incurred by a Grower who is an 'STS taxpayer' using the cash accounting method, then the amount is only deductible to the extent to which it has been paid, or has been paid for the Grower.

- (b) Omit the first sentence of Note (ix) and substitute:

The Forestry Services Fee and the Land Fee as shown in the Management and Lease Agreement Memorandums are deductible in full in the income year in which:

- they are paid where the Grower is an 'STS taxpayer' using the cash accounting method; or
- they are incurred for the 2005-06 income year where the Grower is an 'STS taxpayer' using the accruals accounting method.

#### **4. Paragraph 100**

- (a) Omit the third and fourth sentences of the paragraph.

- (b) After the paragraph insert:

100A. A Grower who is an 'STS taxpayer' using the cash accounting method can, therefore, claim an immediate deduction for each of the relevant fees in the income year in which the fee is paid. An immediate deduction may be claimed for each of the relevant fees in the income year in which the fee is incurred if:

- the Grower is not an 'STS taxpayer'; or
- for the 2005-06 and later income years, the Grower is an 'STS taxpayer' using the accruals accounting method.

This Addendum applies on and from 1 July 2005.

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**Commissioner of Taxation**

8 March 2006

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#### ATO references

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