


PR 2003/22A2 - Addendum - Income tax: Western Tiers Truffiere Project

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Addendum

Product Ruling

Income tax: Western Tiers Truffiere Project

This Addendum amends Product Ruling PR 2003/22 to reflect changes to simplified tax system legislation from 2005-06 onwards.

PR 2003/22 is amended as follows:

1. Paragraph 58

Replace the paragraph with:

58. 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 where the Grower uses the cash accounting method under the STS is different.

2. Paragraph 68

After the paragraph insert:

68A. For the 2005-06 income year and later years, a Grower's ordinary income from carrying on a business of Truffle cultivation will be assessable in the income year in which that income is derived where that Grower uses the accruals accounting method, or in the income year in which that income is received where that Grower uses the cash accounting method.

3. Paragraph 72

(a) Replace Note (vii) with:

(vii) For the 2002-03 to 2004-05 income years, an amount shown in the table above is deductible in full in the year in which it is paid.

For the 2005-06 income year, an amount shown in the table above is deductible in full in the year in which is incurred where the Grower is an 'STS taxpayer' using the accruals accounting method, or in the year in which it is paid where the Grower is an 'STS taxpayer' using the cash accounting method.

(b) Replace Note (viii) with:

- (viii) Where a Grower is an 'STS taxpayer' (for the 2002-03 to 2004-05 income years) or an 'STS taxpayer' using the cash accounting method (for the 2005-06 income year) pays the Annual Management fees and the Rent in the relevant income years shown in the Lease and Management Agreements, those fees are deductible in full in the year in which they are paid. For a Grower who is an 'STS taxpayer' using the accruals accounting method (for the 2005-06 income year), those fees are deductible in the year in which they are incurred. However, if a Grower chooses to prepay fees for the doing of a thing (for example, the provision of management services or the leasing 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 (see paragraphs 112 to 126). In such cases, the tax deduction for the prepaid fee must be determined using the formula shown in paragraph 118, 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.

4. Paragraph 108

Insert after 'If the Grower is not an 'STS taxpayer':

or an 'STS taxpayer' using accruals accounting method

5. Paragraph 109

Replace the paragraph with:

109. If the Grower is an 'STS taxpayer' who uses the cash accounting method, the Annual Management Fees and the Rent are deductible in the income year in which they are paid. 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.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

23 November 2005

ATO references

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