

# ***PR 2003/50A - Addendum - Income tax: Victorian Olive Oil Project II***

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# Addendum

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## Product Ruling

### Income tax: Victorian Olive Oil Project II

This Addendum amends Product Ruling PR 2003/50 to reflect changes to simplified tax system legislation from 2005-06 onwards.

#### **PR 2003/50 is amended as follows:**

##### **1. Paragraph 68**

Replace the paragraph with:

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

##### **2. Paragraph 73**

Replace the paragraph with:

73. Other than Growers referred to in paragraph 74, a Grower is assessable on ordinary income from carrying on their business of cultivating olive trees and harvesting the olives for the production and sale of olive oil in the income year in which that income is derived.

##### **3. Paragraph 74**

Replace the paragraph with:

74. A Grower who is an 'STS taxpayer' (for the 2003-04 and 2004-05 income years) or an 'STS taxpayer' using the cash accounting method (for the 2005-06 income year and later years) is assessable on ordinary income from carrying on their business of cultivating olive trees and harvesting the olives for the production and sale of olive oil at the time the income is received.

#### 4. Paragraph 75

Replace Note (iii) with:

- (iii) For the 2003-04 and 2004-05 income years, the Management fees and the Lease fees (Rent) are NOT deductible in full in the year in which they are paid by, or on behalf of the 'STS taxpayer'. The deduction for each year's fees must be determined using the formula in subsection 82KZMF(1) (see paragraph 71). The Project Manager will inform Growers of the number of days in the 'eligible service period' in the first expenditure year. This figure is necessary to calculate the deduction allowable for the fees incurred. (See Example 3 at paragraph 134).

For the 2005-06 and 2006-07 income years, the Management fees and the Lease fees (Rent) payable by a Grower who is an 'STS taxpayer' using the cash accounting method are NOT deductible in full in the year in which they are paid. For a Grower who is an 'STS taxpayer' using the accruals accounting method, these fees are NOT deductible in full in the year incurred. The deduction for each year's fees must be determined using the formula in subsection 82KZMF(1) (see paragraph 71). The Project Manager will inform Growers of the number of days in the 'eligible service period' in the first expenditure year. This figure is necessary to calculate the deduction allowable for the fees incurred.

This Addendum applies on and from 1 July 2005.

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**Commissioner of Taxation**

19 October 2005

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ATO references

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