

PR 2003/5A - Addendum - Income tax: Australian Growth - Timber 2002/2003

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Addendum

Product Ruling

Income tax: Australian Growth – Timber 2002/2003

This Addendum amends Product Ruling PR 2003/5 to reflect changes to simplified tax system legislation from 2005-06 onwards.

PR 2003/5 is amended as follows:

1. Paragraph 46

Replace the paragraph with:

46. 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 59

After the paragraph insert:

59A. For the 2005-06 income year and later years, a Grower's ordinary income from carrying on a business of afforestation 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 60

(a) For each of the four tables, in each row titled 'Interest' and in the last column titled 'Year ended 30/06/2006', insert the words after 'When paid':

(STS taxpayers using cash accounting) or when incurred
(STS taxpayers using accruals accounting).

- (b) 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 (where the Grower is an 'STS taxpayer'). For the 2005-06 income year, an amount shown in the table above is deductible in full in the year that it is incurred where the Grower is an 'STS taxpayer' using the accruals accounting method, or in the year it is paid where the Grower is an 'STS taxpayer' using the cash accounting method.
- (c) In Note (ix) in the second sentence, insert after '(see Example 2 at paragraph 131)':
- for a Grower who, in the 2002-03 to 2004-05 income years is an 'STS taxpayer' or in the 2005-06 income year is an 'STS taxpayer' using the cash accounting method. For an 'STS taxpayer' using the accruals accounting method in the 2005-06 income year, it is deductible in the year in which it is incurred.
- (d) In Note (x), omit the first sentence.
- (e) In Note (x), at the beginning of the second sentence, omit the word 'However'.

4. Paragraph 103

Replace the paragraph with:

103. The maintenance fee, pruning fee and rent incurred under the Lease and Management Agreements are not prepaid. These fees are charged for providing maintenance services and for the lease of the land to a Grower until 30 June of the year in which the fees are incurred. A Grower who 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) can, therefore, claim an immediate deduction for each of the relevant fees in the income year in which the fee is paid. A Grower who is not an 'STS taxpayer' or an 'STS taxpayer' using accruals accounting method (for the 2005-06 income year) can claim an immediate deduction for each of the relevant fees in the income year in which the fee is incurred.

5. Paragraph 110

Replace the paragraph with:

110. If the Grower is not an 'STS taxpayer' or an 'STS taxpayer' using accruals accounting method (for the 2005-06 income year), interest is deductible in the year in which it is incurred.

6. Paragraph 111

- (a) Replace the first sentence with:

If the 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), the interest is not deductible until it has been both incurred and paid.

- (b) From the second sentence, omit, 'or is paid for the Grower'.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation19 October 2005

ATO references

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