

PR 2004/11A - Addendum - Income tax: Willmott Forests Project - 2004 Product Disclosure Statement

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Addendum

Product Ruling

Income tax: Willmott Forests Project – 2004 Product Disclosure Statement

This Addendum amends Product Ruling PR 2004/11 to reflect changes to simplified tax system legislation from 2005-06 onwards.

PR 2004/11 is amended as follows:

1. Paragraph 57

Omit the paragraph.

2. Paragraph 58

Omit the paragraph.

3. Paragraph 60

Replace the paragraph with:

60. 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 or can continue to use the cash accounting method (called the 'STS accounting method' – see section 328-125).

4. Paragraph 63

Replace the paragraph with:

63. Other than Growers referred to in paragraph 64, a Grower is assessable on ordinary income from carrying on their business of afforestation in the income year in which that income is derived.

PR 2004/11**5. Paragraph 64**

Replace the paragraph with:

64. A Grower who is an 'STS taxpayer' continuing to use the cash accounting method is assessable on ordinary income from carrying on their business of afforestation in the year in which the income is received.

6. Paragraph 65

(a) Replace the table with:

For Growers who are accepted to participate in the project on or before 30 June 2004

Fee Type	ITAA 1997 Section	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006
Part 1 Management Fee	8-1	\$3,850 See Notes (i), (ii) & (iii)	nil	nil
Interest Payable to WFL under Terms Agreement	8-1	nil	As incurred (Non-STs taxpayers) ; or as paid (STs taxpayers) See Notes (iv) & (v)	As incurred (Non-STs taxpayers & STs taxpayers using accruals accounting) ; or as paid (STs taxpayers using cash accounting) See Notes (iv) & (v)

For Growers who are accepted to participate in the project on or after 1 July 2004 and on or before 30 June 2005

Fee Type	ITAA 1997 Section	Year ended 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2007
Part 1 Management Fee	8-1	\$3,850 See Notes (i), (ii) & (iii)	nil	nil
Interest Payable to WFL under Terms Agreement	8-1	nil	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting); or as paid (STS taxpayers using cash accounting) See Notes (iv) & (v)	As incurred (Non-STS taxpayers & STS taxpayers using accruals accounting); or as paid (STS taxpayers using cash accounting) See Notes (iv) & (v)

(b) Replace Note (iii) with:

- (iii) If a Grower is an '**STS taxpayer**' who has entered into a Terms Agreement with WFL to pay the Part 1 management fee by instalments under a Terms Agreement, then the fee of \$3,850 will not be fully paid in the income year in which it is incurred.

For the 2003-04 and 2004-05 income years, such instalment is deductible in the income year in which it is paid (where the Grower is an '**STS taxpayer**').

For the 2005-06 and 2006-07 income years, such instalment is deductible in full in the 'changeover year' (where the Grower becomes 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**).

(c) Replace Note (iv) with:

- (iv) Growers who enter into a Terms Agreements with WFL for payment of the Part 1 management fee over 3, 5, 7 and 10 year Terms will incur interest monthly, as set out in the Agreements.

Where the Grower is **not** an '**STS taxpayer**', such interest is deductible in the income year in which it is incurred.

For the 2003-04 and 2004-05 income years, such interest is deductible in the income year in which it is paid (where the Grower is an **'STS taxpayer'**).

For the 2005-06 and 2006-07 income years, such interest is deductible in full in the year in which it 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' continuing to use the cash accounting method**).

7. Paragraph 90

Replace the paragraph with:

90. The interest incurred will be in respect of a loan to finance the Grower's business operations – the cultivation and growing of trees – that will continue to be directly connected with the gaining of 'business income' from the Project. Such interest will, therefore, have a sufficient connection with the gaining of assessable income to be deductible under section 8-1. A Grower who is an 'STS taxpayer' (for the year ending 30 June 2005) or who is an 'STS taxpayer continuing to use the cash accounting method (for the years ending 30 June 2006 and 30 June 2007) can, therefore, claim a deduction for interest in the income year in which the amount is paid, or paid on their behalf (paragraph 328-105(b) and section 328-120). All other Growers can claim a deduction for interest in the income year in which the interest is incurred.

8. Paragraph 100

Replace the paragraph with:

100. As the requirements of section 82KZMG have been met, a Grower who is not an 'STS taxpayer' can, therefore, claim an immediate deduction for the fee for the Part 1 services in the income year in which the amount is incurred. A Grower who is an 'STS taxpayer' can claim an immediate deduction for the Part 1 services in the income year in which the fees are paid. Where a Grower who is an 'STS taxpayer' (for the year ending 30 June 2005) or where a Grower who is an 'STS taxpayer continuing to use the cash accounting method (for the years ending 30 June 2006 and 30 June 2007) makes payments for the fee under a Terms Agreement, the fee can only be claimed as a deduction to the extent of the instalments paid by, or paid on behalf of, the Grower during the relevant income year.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

7 December 2005

ATO references

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