

PR 2004/26A - Addendum - Income tax: FEA Plantations Project 2004

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Addendum

Product Ruling

Income tax: FEA Plantations Project 2004

This Addendum amends Product Ruling PR 2004/26 to reflect changes to simplified tax system legislation from 2005-06 onwards.

PR 2004/26 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 under the STS where the Grower uses the cash accounting method is different.

2. Paragraph 57

Replace the paragraph with:

57. Other than Growers referred to in paragraph 58, a Grower is assessable on ordinary income from carrying on their business of afforestation in the income year in which that income is derived.

3. Paragraph 58

Replace the paragraph with:

58. 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 afforestation at the time the income is received.

4. Paragraph 59

Omit the paragraph.

PR 2004/26**5. Paragraph 60**

Omit the paragraph.

6. Paragraph 61

(a) Replace the table with:

2004 Growers

Fee Type	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006
Plantation Establishment Services	\$3,300 See Notes (i) & (ii)	nil	nil
Interest payable to FEA Ltd under Loan Agreements	As incurred (Non-STs taxpayers); or as paid (STs taxpayers) See Notes (iii) & (iv)	As incurred (Non-STs taxpayers); or as paid (STs taxpayers) See Notes (iii) & (iv)	As incurred (Non-STs taxpayers & STs taxpayers using accruals accounting); or as paid (STs taxpayers using cash accounting) See Notes (iii) & (iv)

2005 Growers

Fee Type	Year ended 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2007
Plantation Establishment Services	\$3,300 See Notes (i) & (ii)	nil	nil
Interest payable to FEA Ltd under Loan Agreements	As incurred (Non-STs taxpayers); or as paid (STs taxpayers) See Notes (iii) & (iv)	As incurred (Non-STs taxpayers & STs taxpayers using accruals accounting); or as paid (STs taxpayers using cash accounting) See Notes (iii) & (iv)	As incurred (Non-STs taxpayers & STs taxpayers using accruals accounting); or as paid (STs taxpayers using cash accounting) See Notes (iii) & (iv)

- (b) In Note (iii), replace the second sentence with:

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 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.

7. Paragraph 87

Replace the last sentence with:

Such interest will, therefore, have a sufficient connection with the gaining of assessable income to be deductible under section 8-1 in the income year in which it is incurred (where the Grower is **not** an 'STS taxpayer or an 'STS taxpayer' using accruals accounting method') or the income year in which it is paid (where the Grower is an 'STS taxpayer using cash accounting method').

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

2 November 2005

ATO references

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