

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

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## Addendum

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### 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**

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

**2005 Growers**

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

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**Commissioner of Taxation**

2 November 2005

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ATO references

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