


PR 2004/31A - Addendum - Income tax: Great Southern Vineyards 2004 Project

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Addendum

Product Ruling

Income tax: Great Southern Vineyards 2004 Project

This Addendum amends Product Ruling PR 2004/31 to reflect changes to the simplified tax system legislation from the 2005-06 income year onwards.

PR 2004/31 is amended as follows:

1. Paragraph 2

Insert dot point:

- Division 328 of the *Income Tax (Transitional Provisions) Act 1997*;

2. Paragraph 44

After the paragraph insert:

44A. 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 is different depending on whether the Grower who was an 'STS taxpayer' prior to 1 July 2005 continues to use the cash accounting method (called the 'STS accounting method') – see sections 328-120 and 328-125 of the *Income Tax (Transitional Provisions) Act 1997*.

3. Paragraph 53

Omit the paragraph; substitute:

53. For the 2005 and prior income years, a Grower recognises ordinary income from carrying on the business of afforestation at the time the income is received (paragraph 328-105(1)(a)). For the 2005-06 and later income years, a Grower who is an 'STS taxpayer' using the accruals accounting method will be assessable on this income in the income year in which the income is derived and a Grower who is an 'STS taxpayer' using the cash accounting method will be assessable on this income in the income year in which the income is received.

4. Paragraph 56

Omit the paragraph; substitute:

56. A Grower who is an 'STS taxpayer' may claim deductions for the revenue expenses in the following Table on a per Vinelot basis. However, if for any reason, an expense referred to in the Table is not fully paid in the year in which it is incurred by a Grower who is an 'STS taxpayer' (for the 2005 and prior income years) or is an 'STS taxpayer' using the cash accounting method (for the 2006 and later income years) then the amount is only deductible to the extent to which it has been paid, or has been paid for the Grower (paragraph 328-105(1)(b)). For these taxpayers, any expense or part of an expense shown in the Table, which is not paid in the year in which it is incurred, will be deductible in the year in which it is actually paid.

5. Paragraph 57

Omit the Table; substitute:

Fee Type	ITAA 1997 Section	30 June 2004 (Initial Period)	30 June 2005 (Second Period)	30 June 2006 (Third Period)
Management Services	8-1	\$3,850 See Notes (v) & (vi)	\$687.50 See Notes (v) & (vi)	\$687.50 See Notes (v) & (vi)
Interest	8-1	When paid See Note (vii)	When paid See Note (vii)	See Note (vii)
Establishment of horticultural plants (Grapevines)	40-515			See Notes (v) & (viii)

6. Paragraphs 95 and 96

Omit the paragraphs; substitute:

95. For the 2005 and prior income years, if the Grower is not an 'STS taxpayer', interest is deductible in the year in which it is incurred. For the 2006 and later income years, if the Grower is not an 'STS taxpayer' or is an 'STS taxpayer' using the accruals accounting method, interest is deductible in the year in which it is incurred.

96. If a Grower is an 'STS taxpayer' (or in the case of the 2006 and later income years is an 'STS taxpayer' using the cash accounting method), interest is deductible in the income year in which it is paid, or is paid for the Grower. If interest that is properly incurred in an income year remains unpaid at the end of the income year, the unpaid amount is deductible in the income year in which it is actually paid or is paid for the Grower.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

28 June 2006

ATO references

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