

PR 2004/58A - Addendum - Income tax: Willmott Forests Professional Investor - 2004 Project

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Addendum

Product Ruling

Income tax: Willmott Forests Professional Investor – 2004 Project

This Addendum amends Product Ruling PR 2004/58 to reflect changes to simplified tax system legislation from 2005-06 onwards.

PR 2004/58 is amended as follows:

1. Paragraph 58

Replace the paragraph with:

58. 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).

2. Paragraph 61

Replace the paragraph with:

61. Other than Growers referred to in paragraph 62, 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 62

Replace the paragraph with:

62. 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 that income is received.

4. Paragraph 63

Omit the paragraph.

PR 2004/58**5. Paragraph 64**

Omit the paragraph.

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	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006
Part 1 Fee	\$7,700 See Notes (i), & (ii)	nil	nil
Interest Payable to Willmott Finance under a Loan Agreement	nil	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)

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	Year ended 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2007
Part 1 Fee	\$7,700 See Notes (i), & (ii)	nil	nil
Interest Payable to Willmott Finance under a Loan Agreement	nil	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) Replace Note (iii) with:
- (iii) Growers who enter into a Loan Agreement with Willmott Finance for payment of the fee under Part 1 of Schedule 1 of the Forestry Management Agreement will incur interest quarterly in arrears, 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 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' continuing to use the cash accounting method**); and

7. Paragraph 87

Replace the paragraph with:

87. 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.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation
7 December 2005

ATO references

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