

# ***PR 2004/59A2 - Addendum - Income tax: Environinvest Beef Cattle Project 2004***

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# Addendum

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## Product Ruling

### Income tax: Environinvest Beef Cattle Project 2004

This Addendum amends Product Ruling PR 2004/59 to reflect changes to simplified tax system legislation from 2005-06 onwards.

#### **PR 2004/59 is amended as follows:**

##### **1. Paragraph 73**

Replace the paragraph with:

73. To be an 'STS taxpayer' a Grazier 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 Grazier participating in the Project, the recognition of income and the timing of tax deductions where the Grazier uses the cash accounting method under the STS is different.

##### **2. Paragraph 76**

Replace the paragraph with:

76. Other than Graziers referred to in paragraph 77, a Grazier is assessable on ordinary income from carrying on their business of leasing, breeding, grazing and sale of beef cattle for profit in the income year in which that income is derived.

##### **3. Paragraph 77**

Replace the paragraph with:

77. A Grazier 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 leasing, breeding, grazing and sale of beef cattle for profit in the income year in which that income is received.

## 4. Paragraph 78

(a) Replace Note (ii) with:

- (ii) Where the Grazier is not an 'STS taxpayer', the amount of the fee payable is deductible in full in the year that it is incurred.

For the 2003-04 and 2004-05 income years, the amount of the fee payable is deductible in full in the year that it is paid where the Grazier is an 'STS taxpayer'.

For the 2005-06 and 2006-07 income years, the amount of fee payable is deductible in full in the year that it is incurred where the Grazier is an 'STS taxpayer' using the accruals accounting method, or in the year that it is paid where the Grazier is an 'STS taxpayer' using the cash accounting method.

(b) In Note (iv) replace the second sentence with:

Such interest is deductible in full in the year that it is incurred where the Grazier is not an 'STS taxpayer'.

For the 2003-04 and 2004-05 income years, such interest is deductible in full in the year that it is paid where the Grazier 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 Grazier is an 'STS taxpayer' using the accruals accounting method or in the year that it is paid where the Grazier is an 'STS taxpayer' using the cash accounting method.

(c) In Note (v) replace the second sentence with:

Unless the amount of the interest is 'excluded expenditure' (see paragraph 112):

- such interest is **NOT** deductible in full in the year that it is incurred where a Grazier is not an 'STS taxpayer';
- for the 2003-04 and 2004-05 income years, such interest is **NOT** deductible in full in the year that it is paid where the Grazier is an 'STS taxpayer'; or
- for the 2005-06 and 2006-07 income years, such interest is **NOT** deductible in full in the year that it is incurred where the Grazier is an 'STS taxpayer' using the accruals accounting method or in the year that it is paid where the Grazier is an 'STS taxpayer' using the cash accounting method.

**5. Paragraph 107**

Replace the paragraph with:

107 Under the Arrangement to which this Product Ruling applies fees payable under the Management Agreement, Cattle Lease Agreement and Agistment Agreement are incurred annually and interest payable to Environinvest under all loans, except the Interest Only Loan and the Interest Only 2<sup>nd</sup> Year Loan, is incurred monthly. Accordingly, the prepayment provisions in sections 82KZME and 82KZMF have no application to this expenditure. A Grazier who is an 'STS taxpayer' who uses the cash accounting method can, therefore, claim a deduction for each of the relevant amounts in the income year in which the amount is paid. A Grazier who is not an 'STS taxpayer' or an 'STS taxpayer' who uses the accruals accounting method (for the 2005-06 and 2006-07 income years) can claim a deduction for each of the relevant amounts in the income year in which the fee is incurred.

This Addendum applies on and from 1 July 2005.

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**Commissioner of Taxation**

16 November 2005

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ATO references

NO: 2003/11684

ISSN: 1441-1172

ATOlaw topic: Income Tax ~~ Product ~~ livestock