


***PR 2004/90A - Addendum - Income tax: 2005  
Timbercorp (Single Payment) Timberlot Project - Post  
30 June Growers***

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## Addendum

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### Product Ruling

#### Income tax: 2005 Timbercorp (Single Payment) Timberlot Project – Post 30 June Growers

This Addendum amends Product Ruling PR 2004/90 to reflect changes to simplified tax system legislation from 2005-06 onwards.

#### **PR 2004/90 is amended as follows:**

##### **1. Paragraph 55**

Replace the paragraph with:

55. 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 58**

Replace the paragraph with:

58. Other than Growers referred to in paragraph 59, a Grower recognises ordinary income from carrying on their business of afforestation in the year in which the income is derived.

##### **3. Paragraph 59**

Replace the paragraph with:

59. A Grower who is an 'STS taxpayer' continuing to use the cash accounting method recognises ordinary income from carrying on their business of afforestation in the year in which the income is received.

**PR 2004/90****4. Paragraph 61**

- (a) Omit sentences before the table.
- (b) Replace the table with:

<b>Fee Type</b>	<b>Year ended 30 June 2006</b>	<b>Year ended 30 June 2007</b>	<b>Year ended 30 June 2008</b>
<b>Establishment Services</b>	\$3,080 See Notes (i) & (ii)		
<b>Interest paid to Timbercorp Finance Pty Ltd</b>	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)	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>Borrowing costs for loans with Timbercorp Finance Pty Ltd</b>	Must be calculated – see Note (v)	Must be calculated – see Note (v)	Must be calculated – see Note (v)

- (c) Replace Note (ii) with:
- (ii) The fee for 'Establishment Services' is expenditure for 'seasonally dependent agronomic activities' (see paragraphs 87 to 90) and is 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 the accruals accounting method) or in the year in which it is paid (where the Grower is an 'STS taxpayer' continuing to use the cash accounting method).

**5. Paragraph 89**

Insert after 'A Grower who is not an 'STS taxpayer':

or who is an 'STS taxpayer' using the accruals accounting method

**6. Paragraph 90**

Replace the paragraph with:

90. A Grower who is an 'STS taxpayer' continuing to use the cash accounting method can claim a deduction for this expenditure in the income year in which the amount is paid. Where the Establishment Fee of a Grower who is an 'STS taxpayer' continuing to use the cash accounting method is not wholly paid in the year in which it is incurred it is only deductible in that year to the extent to which it is paid.

**7. Paragraph 91**

Replace the paragraph with:

91. Under the Arrangement to which this Product Ruling applies fees for rent under the Sub-lease and fees for maintenance under the Management Agreement are only payable as a percentage of the 'Proceeds' from 'Harvest' and sale of the 'Trees' or from insurance proceeds. Interest payable under the Loan Agreement to Timbercorp Finance is incurred monthly. Accordingly, the prepayment provisions in sections 82KZME to 82KZMF have no application to this Arrangement. A Grower who is an 'STS taxpayer' continuing to use 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 Grower who is not an 'STS taxpayer' or who is an 'STS taxpayer' using the accruals accounting method 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**

7 December 2005

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ATO references

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