


PR 2004/9A - Addendum - Income tax: Margaret River Watershed Premium Wine Project - 2004 Growers

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Addendum

Product Ruling

Income tax: Margaret River Watershed Premium Wine Project – 2004 Growers

This Addendum amends Product Ruling PR 2004/9 to reflect changes to simplified tax system legislation from 2005-06 onwards.

PR 2004/9 is amended as follows:

1. Paragraph 56

Replace the paragraph with:

56. 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 66

Replace the paragraph with:

66. Other than Growers referred to in paragraph 66A, a Grower is assessable on ordinary income from carrying on their business of viticulture in the income year in which that income is derived.

3. After Paragraph 66

Insert:

66A. A Grower who is an 'STS taxpayer' (for the 2003-04 and 2004-05 income years) or an 'STS taxpayer' continuing to use the cash accounting method (for the 2005-06 and later income years) is assessable on ordinary income from carrying on the business of viticulture in the income year in which that income is received.

4. Paragraph 71

(a) In the table titled 'For a Grower who enters into the Project on or before 15 June 2004', in the row titled 'Interest (Terms Payment Options only)' and in the column titled 'Year ended 30/6/2006 Year 2', replace the content with:

When incurred (**STS taxpayers using accruals accounting method**) or when paid (**STS taxpayers continuing to use cash accounting method**) – See Note (xi) (below)

(b) In the table titled 'For a Grower who enters into the Project after 30 June 2004', in the row titled 'Interest (Terms Payment Options only)' and in the column titled 'Year ended 30/6/2006 Year 1', replace the content with:

When incurred (**STS taxpayers using accruals accounting method**) or when paid (**STS taxpayers continuing to use cash accounting method**) – See Note (xi) (below)

(c) In Note (vi), replace the last sentence with:

For the 2006 income year, where a Grower who is an 'STS taxpayer' continuing to use the cash accounting method, the Management Fee (\$2,508) and the Rent (\$187 indexed) payable are deductible in the year in which they are fully paid or, where a Grower who is an 'STS taxpayer using the accruals accounting method these fees are deductible in the income year in which they are incurred.

(d) In Note (vii), replace the last sentence with:

For the 2006 income year, where a Grower who is an 'STS taxpayer' continuing to use the cash accounting method, the Management Fee (\$2,508) and the Rent (\$187 indexed) payable are deductible in the year in which they are fully paid or, where a Grower who is an 'STS taxpayer using the accruals accounting method these fees are deductible in the income year in which they are incurred.

(e) In Note (viii), replace the last sentence with:

For the 2006 income year, where a Grower who is an 'STS taxpayer' continuing to use the cash accounting method, the initial Management Fee and the Rent payable under the Terms Payment Options are deductible in the year in which they are fully paid or, where a Grower who is an 'STS taxpayer using the accruals accounting method these fees are deductible in the income year in which they are incurred.

- (f) Replace Note (ix) with:
 - (ix) For the 2004 and 2005 income year, if, for any reason, an amount shown in the Table above is not fully paid in the year in which it is incurred by a Grower who is an 'STS taxpayer', then the amount is only deductible to the extent to which it has been paid. Any amount or part of an amount shown in the Table above which is not paid in the year in which it is incurred will be deductible in the year in which it is actually paid. For the 2006 income year, a Grower who is an 'STS taxpayer' using the accruals accounting method is able to claim the amount as deduction in the income year in which it is incurred or, where a Grower who is an 'STS taxpayer' continuing to use the cash accounting method is able to claim the amount as deduction in the income year in which it is paid.
- (g) Omit the first sentence in Note (x).
- (h) Replace Note (xi) with:
 - (xi) For the 2004 and 2005 income year, where a Grower who is an 'STS taxpayer', interest payable under the 1, 5, or 6 year Terms Payment Options is deductible in the year in which it is paid. For the 2006 income year, where a Grower who is an 'STS taxpayer' continuing to use the cash accounting method, interest payable under the 1, 5, or 6 year Terms Payment Options is deductible in the year in which it is paid or, for a Grower who is an 'STS taxpayer' using the accruals accounting method, interest payable under these Payment Options will be deductible when it is incurred.

5. Paragraph 103

Replace the paragraph with:

103. Where the Grower is not an 'STS taxpayer' or, is an 'STS taxpayer' using the accruals accounting method (for the 2005-06 income year), the management fees and the rent are deductible in the year in which they are incurred.

6. Paragraph 104

Replace the paragraph with:

104. Where the Grower is an 'STS taxpayer' (for the 2003-04 and 2004-05 income years) or an 'STS taxpayer' continuing to use the cash accounting method (for the 2005-06 income year), the management fees and the rent are deductible in the income year in which they are paid. If any amount that is properly incurred in an income year remains unpaid at the end of that income year, the unpaid amount is deductible in the income year in which it is actually paid.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

7 December 2005

ATO references

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