

PR 2005/11A - Addendum - Income tax: Gunns Plantations Woodlot Project 2005 '2006 Growers'

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Addendum

Product Ruling

Income tax: Gunns Plantations Woodlot Project 2005 '2006 Growers'

This Addendum amends Product Ruling PR 2005/11 to reflect changes to simplified tax system legislation from 2005-06 onwards.

PR 2005/11 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. For a Grower participating in the Project, the recognition of income and the timing of tax deductions under the STS where the Grower uses the cash accounting method is different.

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' using the cash accounting method is assessable on ordinary income from carrying on their business of afforestation at the time the income is received.

PR 2005/11**4. Paragraph 64**

(a) Replace the paragraph with:

64. However, if for any reason, an amount shown or referred to in the Table below is not fully paid in the year in which it is incurred by a Grower who is an 'STS taxpayer' using the cash accounting method then the amount is only deductible to the extent to which it has been paid. For Growers who are 'STS Taxpayers' using the cash accounting method, any amount or part of an amount shown in the Table below which is not paid in the year in which it is incurred will be deductible in the year in which it is actually paid.

(b) Replace the table with:

| Fee Type | Year ended 30 June 2006 | Year ended 30 June 2007 | Year ended 30 June 2008 |
|--------------------------------------|---|---|---|
| 'Establishment Fee' | \$6,820 See Notes (i) & (ii) | | |
| Interest on loans with Gunns Finance | As incurred (Non-STS taxpayers or STS taxpayers using accruals accounting) Or as paid (STS taxpayers using cash accounting) See Notes (iii) & (iv) | As incurred (Non-STS taxpayers or STS taxpayers using accruals accounting) Or as paid (STS taxpayers using cash accounting) See Notes (iii) & (iv) | As incurred (Non-STS taxpayers or STS taxpayers using accruals accounting) Or as paid (STS taxpayers using cash accounting) See Notes (iii) & (iv) |

(c) Replace Note (ii) with:

(ii) Under section 82KMG the 'Establishment Fee' is expenditure for 'seasonally dependent agronomic activities' (see paragraph 90 to 93) and is deductible in the income year in which it is incurred (where the Grower is **not an 'STS taxpayer'** or an 'STS taxpayer' using accruals accounting method) or the year in which it is paid (where the Grower is an '**STS taxpayer**' or an 'STS taxpayer' using cash accounting method).

5. Paragraph 92

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

or an 'STS taxpayer' using accruals accounting method

6. Paragraph 93

Replace the paragraph with:

93. A Grower who is an 'STS taxpayer' using cash accounting method can claim an immediate 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' using 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 by.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

16 November 2005

ATO references

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