

PR 2005/36A - Addendum - Income tax: Macquarie Forestry Investment 2005 (Pre 1 July 2005 Growers)

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Addendum

Product Ruling

Income tax: Macquarie Forestry Investment 2005 (Pre 1 July 2005 Growers)

This Addendum amends Product Ruling PR 2005/36 to incorporate details of the increased size of the Project, a second Forestry Contractor and amendments to the Simplified Tax System.

PR 2005/36 is amended as follows:

1. Paragraph 14

Add the following additional bullet point:

- Draft Forestry Management Agreement 2005 between McEwens Contracting Pty Limited ('McEwens'), MFSPL, MAAML and MBL received on 6 June 2005;

2. Paragraph 17

Substitute the first row of the table with the following:

Location	The land will be located within an economic haulage distance of a log processor's mill gate in Victoria e.g. Midway's log processing facilities at the port of Geelong Victoria, log processing facilities located in the Morwell region of Eastern Victoria or processing facilities based near Portland Victoria.
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Substitute the third row of the table with the following:

Number of hectares offered for cultivation	Approximately 10,000
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3. Paragraph 23

Omit 'Under the Midway Management Agreement, Midway is to' and substitute with 'Under the Midway Management Agreement 2005 and the Forestry Management Agreement 2005, Midway and McEwens will'.

4. Paragraph 24

Omit 'Midway' and substitute with 'Midway and McEwens'.

5. Paragraph 55

Insert after Paragraph 55:

Forestry Management Agreement 2005

55A. Under this Agreement MFSPL sub-contracts some of its obligations under the MFSPL Management Agreement to McEwens.

55B. McEwens and MFSPL agree that the former will provide the following services:

- (i) undertake all the activities listed at paragraph 33 with the exception of the activities listed at paragraphs 33(iii)(p), (q), (r), (s) and (t);
- (ii) locate seedling *Eucalyptus globulus* and *Eucalyptus nitens* trees for purchase by MFSPL selected from stock which it believes will produce yields in accordance with the assumptions outlined in the Disclosure Document;
- (iii) in relation to the planting of trees, McEwens will plant approximately 1,000 trees per hectare during the Initial Term in a manner that results in a survival rate of at least 90% of the trees planted as measured 12 months from the time of planting and will do all things necessary to ensure that the seedling trees are tended according to principles of good farming practice and sound agricultural methods.

In the event that less than 90% of the trees planted survive for 12 months following the date of planting, undertake such additional planting of trees which would result in there being at least 900 trees per hectare;
- (iv) produce progress reports detailing growth measurements;
- (v) discuss where appropriate with MFSPL and Greening Australia Limited methods of complying with any agreement between MFSPL and Greening Australia Limited and others;
- (vi) prepare and deliver to MFSPL silvicultural working plans detailing the net plantable area and plantation establishment and maintenance strategy for all Land together with a grid identifying the Plantation Lot;

- (vii) undertake such site preparation work as is required to prepare the Plantation Lot for planting including:
 - (a) performing all reasonably required clean-up works; and
 - (b) completing all reasonably required cultivation works;
- (viii) undertake such vermin control work as is reasonably required to protect the Plantation Lot from damage (both before and after planting);
- (ix) undertake all reasonably required weed control work prior to and/or after planting to ensure that the Plantation Lot can be established and can achieve satisfactory growth;
- (x) undertake such fertilisation as is required at or about the time of the planting to promote establishment and satisfactory early growth;
- (xi) in the season following the planting of the seedling trees, undertake nutrition monitoring and fertilisation of, and weed control in, the Plantation Lot if reasonably required to promote or maintain satisfactory growth of the trees;
- (xii) use its reasonable endeavours to identify on behalf of MBL land available for purchase which is suitable for the purposes of the Scheme, act in accordance with the Land Selection Protocol unless agreed otherwise with MBL, and generate a grid identifying the Plantation Lot; and
- (xiii) provide such information as is reasonably required by any person engaged by MFSP to perform services in relation to the Scheme, including but not limited to mapping services.

6. Paragraph 73

Omit this paragraph and substitute with:

73. To be an 'STS taxpayer' a Grower must be eligible to be an 'STS taxpayer' and must have elected to be an 'STS taxpayer'. For a Grower participating in the Project, the recognition of income and the timing of tax deductions is different under the STS where the Grower uses the cash accounting method.

7. Paragraph 76

Omit this paragraph and substitute with:

76. Other than Growers referred to in paragraph 77, for the 2005-06 income year and later years, a Grower will be assessable on ordinary income from carrying on their business of afforestation in the income year in which that income is derived.

8. Paragraph 77

Omit this paragraph and substitute with:

77. For the 2005-06 income year and later years, a Grower who is an 'STS taxpayer' using the cash accounting method will be assessable on ordinary income from carrying on their business of afforestation in the income year in which that income is received.

9. Paragraph 79

Insert in the second line after 'STS taxpayer' the words:

(for the 2005 income year) or an 'STS taxpayer' using the cash accounting method (for the 2006 and 2007 income years),

10. Detailed contents list

Insert in the line after 'Midway Management Agreement 2005 54':
Forestry Management Agreement 2005 55A

This Addendum applies on and from 23 March 2005.

Commissioner of Taxation

29 June 2005

ATO references

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