

PR 2005/49A - Addendum - Income tax: ITC Pulpwood Project 2005 - (pre 1 July 2005 Growers)

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Addendum

Product Ruling

Income tax: ITC Pulpwood Project 2005 – (pre 1 July 2005 Growers)

This Addendum amends Product Ruling PR 2005/49 to reflect changes to the simplified tax system legislation from 1 July 2005.

PR 2005/49 is amended as follows:

1. Paragraph 54

Replace the paragraph with:

54. 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 is different under the STS where the Grower uses the cash accounting method.

2. Paragraph 57

Replace the paragraph with:

57. A Grower will recognise ordinary income from carrying on the business of afforestation at the time that income is derived when they are:

- not an 'STS taxpayer'; or
- an 'STS taxpayer' using the accruals accounting method for the 2005-06 and later income years.

3. Paragraph 58

Replace the paragraph with:

58. A Grower who is an 'STS taxpayer' using the cash accounting method will recognise ordinary income from carrying on their business of afforestation in the income year in which that income is received.

PR 2005/49**4. Paragraph 60**

(a) Omit the first sentence and substitute:

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, or has been paid for the Grower.

(b) Omit the table and substitute:

Fee Type	Year ended 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2007
Primary Services Fee	\$3,300 See Notes (i) & (ii)		
Annual Management Services Fees (Only if Grower elects to pay annually)		\$77 See Notes (i) & (iii)	\$77 (indexed) See Notes (i) & (iii)
Annual Land Fee (Only if Grower elects to pay annually)		\$82.50 See Notes (i) & (iii)	\$82.50 (indexed) See Notes (i) & (iii)
Interest for finance provided by ITC Finance or the Nominated Financier	As incurred (Non-STC taxpayers) or as paid (STC taxpayers) See Note (iv)	As incurred (Non-STC taxpayers and STC taxpayers using accruals accounting) or as paid (STC taxpayers using cash accounting) See Note (iv)	As incurred (Non-STC taxpayers and STC taxpayers using accruals accounting) or as paid (STC taxpayers using cash accounting) See Note (iv)
Borrowing Costs	Must be calculated – See Note (v)	Must be calculated – See Note (v)	Must be calculated – See Note (v)

- (c) Replace Note (ii) with:
- (ii) Under section 82KZMG the fee for establishment services is expenditure for 'seasonally dependent agronomic activities' (see paragraphs 89 to 93) and is deductible:
- in the income year in which it is incurred where the Grower is not an 'STS taxpayer' or is an 'STS taxpayer' using the accruals accounting method; or
 - in the income year in which it is paid where the Grower is an 'STS taxpayer' using the cash accounting method.
- (d) Omit the first sentence of Note (iii) and substitute:
- Where a Grower pays the Management Services Fee and the Land Fee in the relevant income years shown in the Management Agreement and the Land Agreement, those fees are deductible in full:
- in the income year that they are incurred where the Grower is not an 'STS taxpayer' or is an 'STS taxpayer' using accruals accounting; or
 - in the income year in which they are paid where the Grower is an 'STS taxpayer' using cash accounting.

5. Paragraph 99

- (a) Replace the paragraph with:
99. A Grower who is an 'STS taxpayer' using the cash accounting method can, therefore, claim an immediate deduction for each of the relevant fees in the income year in which the fee is paid.
- (b) After the paragraph insert:
- 99A. An immediate deduction may be claimed for each of the relevant fees in the income year in which the fee is incurred if:
- the Grower is not an 'STS taxpayer'; or
 - the Grower is an 'STS taxpayer' using the accruals accounting method.

6. Paragraph 105

Replace the paragraph with:

105. As with the Management Services Fees and the Land Fees, in the absence of any application of the prepayment provisions (see paragraphs 81 to 88), the timing of deductions for interest will depend upon whether the Grower is:

- an 'STS taxpayer' using the cash accounting method;
- an 'STS taxpayer' using the accruals accounting method; or
- not an 'STS taxpayer'.

7. Paragraph 106

Replace the paragraph with:

106. Interest is deductible in the income year in which it is incurred if:

- the Grower is not an 'STS taxpayer'; or
- the Grower is an 'STS taxpayer' using the accruals accounting method.

8. Paragraph 107

Omit the first sentence and substitute:

If the Grower is an 'STS taxpayer' using the cash accounting method, interest is not deductible until it has been both incurred and paid, or is paid for the Grower.

This Addendum applies on and from 1 July 2005.

Commissioner of Taxation

8 March 2006

ATO references

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