


# ***PR 2005/6A - Addendum - Income tax: AFM 2005 Softwood Project - Post 30 June 2005 Growers***

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## Addendum

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### Product Ruling

#### Income tax: AFM 2005 Softwood Project – Post 30 June 2005 Growers

This Addendum amends Product Ruling PR 2005/6 to reflect:

- an extension to the closing date of the Project from 2 March 2006 to 30 June 2006; and
- changes to the simplified tax system legislation from 1 July 2005.

#### **PR 2005/6 is amended as follows:**

**1. Paragraph 55, fourth dot point**

Omit 'of 30 June 2011' and substitute '(as defined in the Finance Facility Agreement)'.

**2. Paragraph 58**

Omit 'before 2 March 2006' and substitute 'on or before 30 June 2006'.

**3. Paragraph 60**

Omit the paragraph and substitute:

60. 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.

**PR 2005/6****4. Paragraph 63**

Omit the paragraph and substitute:

63. A Grower will recognise ordinary income from carrying on their 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.

**5. Paragraph 64**

Omit the paragraph and substitute:

64. 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.

**6. Paragraph 66**

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.

**7. Paragraph 66**

Omit the table and substitute:

<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>Initial Establishment Services</b>	\$5,500 See Notes (i) & (ii)		
<b>Interest</b>	As incurred <b>(Non-STS taxpayers and STS taxpayers using accruals accounting)</b> Or as paid <b>(STS taxpayers using cash accounting)</b> See Note (iii)	As incurred <b>(Non-STS taxpayers and STS taxpayers using accruals accounting)</b> Or as paid <b>(STS taxpayers using cash accounting)</b> See Note (iii)	As incurred <b>(Non-STS taxpayers and STS taxpayers using accruals accounting)</b> Or as paid <b>(STS taxpayers using cash accounting)</b> See Note (iii)

**8. Paragraph 66**

Omit Note (ii) and substitute:

- (ii) The Initial Establishment Services is expenditure for 'seasonally dependant agronomic activities' under section 82KZMG (see paragraphs 95 to 99) 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 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.

**9. Paragraph 67**

Omit 'before 2 March 2006' and substitute 'on or before 30 June 2006'.

**10. Paragraph 105**

Omit the paragraph and substitute:

105. 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 the fee is paid.

**11. After Paragraph 105**

Insert:

105A. An immediate deduction for each of the relevant fees may be claimed 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.

**12. Paragraph 108**

Omit the paragraph and substitute:

108. In the absence of any application of the prepayment provisions (see paragraphs 87 to 94), 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'.

### 13. Paragraph 109

Omit the paragraph and substitute:

109. 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.

### 14. Paragraph 110

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

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**Commissioner of Taxation**

5 October 2005

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ATO references

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