

PR 2007/8A - Addendum - Income tax: Ginseng Australia Project No. 1 (Early Growers)

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Addendum

Product Ruling

Income tax: Ginseng Australia Project No. 1 (Early Growers)

This Addendum amends Product Ruling PR 2007/8 to allow Growers to elect to pay the application monies by instalments.

PR 2007/8 is amended as follows:

1. Paragraph 24

(a) Omit the heading:

Deductions for Plant Fees, Initial Management Fees, Continuing Management Fees and Occupation Fees

substitute:

Deductions for Plant Fees, Initial Management Fees, Continuing Management Fees, Occupation Fees and Instalment Interest Expense

(b) After the last row of the table, insert:

Instalment Interest Expense	\$21.55 See Notes (i) and (ii)	\$215.50 See Notes (i) and (ii)	Nil
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(c) Omit Note (ii); substitute:

(ii) The Plant Fees, Initial Management Fees, Continuing Management Fees, Occupation Fees and Instalment Interest Expense shown in the Licence and Management Agreement are deductible in full in the year that they are incurred. However, if a Grower **chooses** to prepay fees for the doing of a thing (for example, the provision of management services or the licencing of land) that will not be wholly done in the income year the fees are incurred, the prepayment rules of the *Income Tax Assessment Act 1936* (ITAA 1936) may apply to apportion those fees. In such cases, the tax deduction for the prepaid fee must be determined using the formula shown in paragraph 88 of this Ruling unless the expenditure is 'excluded expenditure'. 'Excluded expenditure' is an 'exception' to the prepayment rules and is deductible in full in the year in which it is incurred. For the purpose of this

Ruling 'excluded expenditure' refers to an amount of expenditure of less than \$1,000. Reference should be made to paragraph 62 of this Ruling for the basis of calculation of the Continuing Management Fee, Occupation Fees and Instalment Interest Expense. The Responsible Entity will advise Growers of the Continuing Management Fee to be paid for the Year Ended 30 June 2009 and Occupation Fees to be paid for the Years Ended 30 June 2007 to 30 June 2009.

2. Paragraph 32

(a) Omit the second dot point; substitute:

- Product Disclosure Statement of the Ginseng Australia Project No. 1 dated 6 March 2007 and received on 16 May 2007;

(b) Omit the last two dot points; substitute:

- Agricultural Report Panax Ginseng Development Plan in relation to the Ginseng Australia Project No. 1 received on 30 October 2006;
- Soil Report Panax Ginseng Development in relation to the Ginseng Australia Project No. 1 received on 30 October 2006;
- Application for a Product Ruling Addendum dated 27 April 2007 as constituted by documents provided on 1, 15, 16 and 17 May 2007 and additional correspondence dated 15 May 2007;
- Draft Supplementary Product Disclosure Statement of the Ginseng Australia Project No. 1 received on 17 May 2007;
- Ginseng Australia Project No. 1 – Stratified Ginseng Seeds and/or Rootlings Supply Agreement between DDR Funds Management Limited (Responsible Entity) and Ginseng Australia Pty Ltd (Seller) dated 24 April 2007;
- Draft Amending Deed to Ginseng Australia Project No. 1 – Stratified Ginseng Seeds and/or Rootlings Supply Agreement received on 15 May 2007; and
- Supplemental Deed to the Constitution of the Ginseng Australia Project No. 1 received on 17 May 2007.

3. Paragraph 35

(a) Omit:

\$6,875

substitute:

\$6,875 for non Instalment Growers and \$7,112 for Instalment Growers

(b) Omit:

\$412,913

substitute:

\$412,913 excluding Instalment Interest Expense

(c) Omit:

Continuing Management Fee and Occupation Fee

substitute:

Continuing Management Fee, Occupation Fee and Instalment Interest Expense

4. Paragraph 52

After the paragraph insert:

52A. Growers have the option of paying the application monies in full on the Settlement Date or paying the application monies by instalments. If a Grower pays by instalments, \$440 must be paid on the Settlement Date and the remaining \$982.40 by eleven consecutive equal monthly instalments of \$89.31 (including Instalment Interest Expense) for each Farming Allotment, with the first payment due and payable one month after the Settlement Date. Reference should be made to paragraph 62 of this Ruling for a complete listing of the Fees payable by Growers.

5. Paragraph 60

After the paragraph insert:

Stratified Ginseng Seeds and/or Rootlings Supply Agreement

60A. Under this Agreement, the Responsible Entity agrees to buy and the Seller agrees to sell Stratified Ginseng Seeds and/or Rootlings during the Term of the Project.

60B. The Purchase Price is \$220 for the acquisition of 600 Stratified Ginseng Seeds and/or Rootlings.

60C. The Purchase Price will be paid in the following manner:

- (a) for non instalment Growers, an upfront payment of \$220; or

- (b) for instalment Growers, an upfront payment of \$46 and the balance of \$174 by eleven consecutive equal monthly instalments of \$15.82 payable in arrears with the first payment due and payable one month after the Settlement Date.

6. Paragraph 62

- (a) Above 'Plant Fees' insert new heading:

Non Instalment Growers

- (b) Above 'Other Initial Fees' insert new heading:

Non Instalment and Instalment Growers

- (c) After the last dot point insert:

Instalment Growers

Plant Fees

- \$46 payable on the Settlement Date; and
- the balance of \$174 by eleven consecutive equal monthly instalments of \$15.81 commencing one month after the Settlement Date.

Initial Management Fees

- \$183 payable on the Settlement Date; and
- the balance of \$761 by eleven consecutive equal monthly instalments of \$69.18 commencing one month after the Settlement Date.

Instalment Interest Expense

- \$47.40 by eleven consecutive equal monthly instalments of \$4.31 commencing one month after the Settlement Date.

7. Paragraph 80

- (a) Omit the heading:

Deductibility of Plant Fees, Initial Management Fees, Continual Management Fees and Occupation Fees

substitute:

Deductibility of Plant Fees, Initial Management Fees, Continual Management Fees, Occupation Fees and Interest Instalment Expense

- (b) Omit the first sentence; substitute:

Consideration of whether the Plant Fees, Initial Management Fees, Continual Management Fees, Occupation Fees and Interest Instalment Expense (the Fees) are deductible under section 8-1 begins with the first limb of the section.

8. Paragraph 106

- (a) Omit:

Deductions for Plant Fees, Initial Management Fees,
Continuing Management Fees and Occupation Fees 24

substitute:

Deductions for Plant Fees, Initial Management Fees,
Continuing Management Fees, Occupation Fees and
Instalment Interest Expense 24

- (b) Insert:

Stratified Ginseng Seeds and/or Rootlings
Supply Agreement 60A

- (c) Omit:

Deductibility of Plant Fees, Initial Management Fees,
Continuing Management Fees and Occupation Fees 80

substitute:

Deductibility of Plant Fees, Initial Management Fees,
Continuing Management Fees, Occupation Fees and
Instalment Interest Expense 80

This Addendum applies on and from 14 February 2007.

Commissioner of Taxation

30 May 2007

ATO references

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