



PR 2013/21 - Income tax: Macquarie Almond Investment 2008 - Early Growers (to 15 June 2008)

 This cover sheet is provided for information only. It does not form part of *PR 2013/21 - Income tax: Macquarie Almond Investment 2008 - Early Growers (to 15 June 2008)*

 This document has changed over time. This is a consolidated version of the ruling which was published on *20 November 2013*



Product Ruling

Income tax: Macquarie Almond Investment 2008 – Early Growers (to 15 June 2008)

Contents Para

**LEGALLY BINDING
SECTION:**

What this Ruling is about 1

Date of effect 8

Ruling 9

Scheme 14

**NOT LEGALLY BINDING
SECTION:**

Appendix 1:

Explanation 17

Appendix 2:

Detailed contents list 25

❗ This publication provides you with the following level of protection:

This publication (excluding appendixes) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

No guarantee of commercial success

The Commissioner **does not** sanction or guarantee this product. Further, the Commissioner gives no assurance that the product is commercially viable, that charges are reasonable, appropriate or represent industry norms, or that projected returns will be achieved or are reasonably based.

Participants must form their own view about the commercial and financial viability of the product. The Commissioner recommends a financial (or other) adviser be consulted for such information.

This Product Ruling provides certainty for participants by confirming that the tax benefits set out in the **Ruling** part of this document are available, **provided that** the scheme is carried out in accordance with the information we have been given, and have described below in the **Scheme** part of this document. If the scheme is not carried out as described, participants lose the protection of this Product Ruling.

Terms of use of this Product Ruling

This Product Ruling has been given on the basis that the entity(s) who applied for the Product Ruling, and their associates, will abide by strict terms of use. Any failure to comply with the terms of use may lead to the withdrawal of this Product Ruling.

What this Ruling is about

1. This Product Ruling sets out the Commissioner's opinion on the way in which the relevant provision(s) identified in the Ruling section (below) apply to the defined class of entities, who take part in the scheme to which this Ruling relates. All legislative references in this Ruling are to the *Income Tax Assessment Act 1997* (ITAA 1997) unless otherwise indicated.
2. In this Product Ruling this scheme is referred to as the Macquarie Almond Investment 2008 – Early Growers (to 15 June 2008) Project or simply as 'the Project'.

Class of entities

3. This part of the Product Ruling specifies which entities can rely on the tax benefits set out in the Ruling section of this Product Ruling and which entities cannot rely on those tax benefits. In this Product Ruling, those entities that can rely on the tax benefits set out in this Ruling are referred to as Growers.
4. The class of entities who can rely on those tax benefits consists of those entities who were specifically identified in paragraph 4 and subject to the exclusions in paragraph 5 of Product Ruling PR 2008/25 and who entered into the specific scheme that is set out in paragraphs 30 to 86 of that Ruling on or after 12 March 2008 and on or before 15 June 2008.
5. The class of entities who can rely on the tax benefits set out in the Ruling section of this Product Ruling does **not** include entities who:
 - intend to terminate their involvement in the scheme prior to its completion, or who otherwise do not intend to derive assessable income from it
 - were accepted into this Project before 12 March 2008 or after 15 June 2008
 - were accepted into the Project before all Pre-planting Capital Works had been completed in relation to their Almond Lot(s), or
 - have participated in the scheme through offers made other than through the Product Disclosure Statement.

Qualifications

6. The class of entities defined in this Product Ruling may rely on its contents provided the scheme actually carried out is carried out in accordance with the scheme described in paragraphs 30 to 86 of PR 2008/25.

7. If the scheme actually carried out is materially different from the scheme that is described in this Product Ruling, then:

- this Product Ruling has no binding effect on the Commissioner because the scheme entered into is not the scheme on which the Commissioner has ruled, and
- this Product Ruling may be withdrawn or modified.

Date of effect

8. This Product Ruling applies only to the specified class of entities that entered into the scheme set out in paragraphs 30 to 86 of PR 2008/25 on or after 12 March 2008 and on or before 15 June 2008. However the Product Ruling only applies to the extent that there is no change in the scheme or in the entity's involvement in the scheme.

Ruling**Continuing application of PR 2008/25**

9. Although now withdrawn, the tax benefits set out in Product Ruling PR 2008/25 continue to apply to participants who are within the specified class of entities to which the Product Ruling applied and who entered into the specified scheme on or after 12 March 2008 and on or before 15 June 2008. This is subject to there being no material difference in the scheme or in the entities involvement in the scheme.

Division 35 – deferral of losses from non-commercial business activities

10. A Grower who is an individual, alone or in partnership, and within the defined class of entities outlined in paragraph 4 of this Ruling may have losses arising from their participation in the Project that would be deferred to a later income year under section 35-10.

Section 35-55 – exercise of Commissioner’s discretion

2012-13 income year

11. For the 2012-13 income year, the Commissioner will exercise the discretion in subsection 35-55(1) once the following conditions are satisfied:

- the Grower carried on their business of almond growing during the income year; and
- the business activity that is carried on is not materially different to that in the scheme described in paragraphs 19 to 86 of PR 2008/25; and
- the Grower has incurred a taxation loss for the income year from carrying on that business activity.

12. If these conditions are met for the 2012-13 income year, the Commissioner will exercise the discretion under:

- paragraph 35-55(1)(b) for a Grower in the Project who satisfies the income requirement in subsection 35-10(2E), and;
- paragraph 35-55(1)(c) for a Grower in the Project who does not satisfy the income requirement in subsection 35-10(2E).

13. If the Commissioner determines that the discretion will not be exercised for a particular year or years the Grower will be informed of that decision and the reasons. In any year where the discretion is not exercised losses incurred by a Grower will be subject to the loss deferral rule in section 35-10 and the Grower will not be able to offset the losses from the Project against other assessable income.

Scheme

14. The scheme that is the subject of this Ruling is called the Macquarie Almond Investment 2008 – Early Growers (to 15 June 2008) and is described in paragraphs 30 to 86 of PR 2008/25. It also incorporates the following additional documents:

- letter requesting a Product Ruling received on 23 October 2013
- information received on 23 October 2013.

Note: certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.

15. For the purposes of describing the scheme to which this Ruling applies, there are no other agreements, whether formal or informal, and whether or not legally enforceable, which a Grower or any associate of a Grower will be a party to, which are a part of the scheme.

16. All Australian Securities and Investment Commission (ASIC) requirements are, or will be, complied with for the term of the agreements.

Commissioner of Taxation
20 November 2013

Appendix 1 – Explanation

❶ *This Appendix is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

Deferral of losses from non-commercial business activities and the Commissioner's discretion

Sections 35-10 and 35-55

17. Based on the information provided with the application for this Product Ruling, specifically that special circumstances have resulted in the extension of the lead time, a Grower who was accepted into the Project within the class of entities defined in paragraph 4 and subject to the exclusions in paragraph 5 of this Ruling who carries on a business of almond growing individually (alone or in a partnership) is expected to incur losses from their participation in the Project which will be subject to Division 35. These losses will be subject to the loss deferral rules in section 35-10 unless an exception applies or, for each income year in which losses are incurred, the Commissioner exercises the discretion in subsection 35-55(1) on 30 June of that specific income year.

18. The exceptions to the loss deferral rule depend upon the circumstances of individual Growers and are outside the scope of this Ruling.

19. The Commissioner will apply the principles set out in Taxation Ruling TR 2007/6 Income tax: non-commercial business losses: Commissioner's discretion when exercising the discretion.

Section 35-55 – exercise of the Commissioner's discretion

2012-13 income year

20. Where, in the 2012-13 income year, a Grower with income for non-commercial loss purposes of less than \$250,000 (that is, the Grower satisfies the income requirement in subsection 35-10(2E)) incurs a loss from carrying on their business activity the discretion in subsection 35-55(1)(b) is exercised for that year, because the Commissioner has determined:

- it is because of its nature that the business activity of the Grower will not satisfy one of the four tests in Division 35, and
- there is an objective expectation that within a period that is commercially viable for the almond growing industry, the Grower's business activity will satisfy one of the four tests set out in Division 35 or produce assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsections 35-10(2) and (2C)).

21. Where, in the 2012-13 income year, a Grower with income for non-commercial loss purposes of \$250,000 or more (that is, the Grower does not satisfy the income requirement in subsection 35-10(2E)) incurs a loss from carrying on their business activity, the discretion in subsection 35-55(1)(c) is exercised for that year, because the Commissioner has determined:

- it is because of its nature that the business activity of the Grower will not produce assessable income greater than the deductions attributable to it, and
- there is an objective expectation that within a period that is commercially viable for the almond growing industry, the Grower's business activity will produce assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsections 35-10(2) and (2C).

22. The exercise of the Commissioner's discretion under paragraph 35-55(1)(b) or 35-55(1)(c) is conditional on the Project being carried on the manner described in paragraphs 30 to 86 of PR 2008/25 during the income years specified. If the Project is carried out in a materially different way to that described in the Ruling, a Grower will need to apply for a private ruling on the application of section 35-55 to those changed circumstances.

23. In each individual year where the Commissioner's discretion is exercised a Grower within either paragraph 22 or paragraph 23 of this Ruling who would otherwise be required to defer a loss arising from their participation in the Project under section 35-10 until a later income year is able to offset that loss against their other assessable income.

Subsection 35-10(2E) – income requirement

24. A Grower will satisfy the income requirement in subsection 35-10(2E) where the sum of the following amounts is less than \$250,000:

- taxable income for that year (ignoring any loss arising from participation in the Project or any other business activity)
- total reportable fringe benefits for that year
- reportable superannuation contributions for that year
- total net investment losses for that year.

Appendix 2 – Detailed contents list

25. The following is a detailed contents list for this Ruling:

	Paragraph
What this Ruling is about	1
Class of entities	3
Qualifications	6
Date of effect	8
Ruling	9
Continuing application of PR 2008/25	9
Division 35 – deferral of losses from non-commercial business activities	10
Section 35-55 – exercise of Commissioner’s discretion	11
<i>2012-13 income year</i>	11
Scheme	14
Appendix 1 – Explanation	17
Deferral of losses from non-commercial business activities and the Commissioner’s discretion	17
<i>Sections 35-10 and 35-55</i>	17
Section 35-55 – exercise of the Commissioner’s discretion	20
<i>2012-13 income year</i>	20
Subsection 35-10(2E) – income requirement	24
Appendix 2 – Detailed contents list	25

References

Previous draft:

Not previously issued as a draft

Related Rulings/Determinations:

TR 2007/6; PR 2008/25

Subject references:

- Commissioner's discretion
- non commercial losses
- product rulings

Legislative references:

- ITAA 1997 Div 35
- ITAA 1997 35-10
- ITAA 1997 35-10(2)
- ITAA 1997 35-10(2C)
- ITAA 1997 35-10(2E)
- ITAA 1997 35-55
- ITAA 1997 35-55(1)
- ITAA 1997 35-55(1)(b)
- ITAA 1997 35-55(1)(c)
- TAA 1953

ATO references

NO:	1-53912ML
ISSN:	1441-1172
ATOlaw topic:	Income Tax ~~ Product ~~ almonds

**© AUSTRALIAN TAXATION OFFICE FOR THE
COMMONWEALTH OF AUSTRALIA**

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).