


# ***PR 2026/7 - CSBP Limited prepayment offers***

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Status: **legally binding**

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## Product Ruling

# CSBP Limited prepayment offers

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### **📌 Relying on this Ruling**

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

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

#### **Terms of use of this Ruling**

This Ruling has been given on the basis that the entity who applied for the 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 Ruling.

#### **Changes in the law**

Product Rulings were introduced for the purpose of providing certainty about tax consequences for entities in schemes such as this. In keeping with that intention, the Commissioner suggests promoters and advisers ensure that participants are fully informed of any legislative changes after the Ruling has issued. Similarly, entities that are considering participating in the Scheme are advised to confirm with their tax adviser that changes in the law have not affected this Ruling since it was issued.

#### **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.

Potential 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.

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### What this Ruling is about

1. This Ruling sets out the income tax consequences for entities that participate as a customer in the following Offers<sup>1</sup>:
  - a CSBP PrePay Collect Later Offer offered by CSBP Limited (CSBP) and subject to the CSBP PrePay Collect Later Offer Terms and Conditions, or
  - a CSBP PrePay Bonus Offer offered by CSBP and subject to the CSBP PrePay Bonus Offer Terms and Conditions.
2. All legislative references in this Ruling are to the *Income Tax Assessment Act 1936*, unless otherwise indicated. Terms which are defined in the Terms and Conditions<sup>2</sup> referred to in paragraph 11 of this Ruling have been capitalised.
3. This Ruling does not address:
  - the tax consequences for a customer that is not a small business entity as defined in section 328-110 of the *Income Tax Assessment Act 1997* (ITAA 1997) or an entity covered by subsection 82KZM(1A)
  - the tax consequences upon application of the Bonus Amount against a customer's purchases of products and services
  - the tax consequences of any financial accommodation obtained by a customer in order to fund the prepayment
  - the application of the prepaid expenditure provisions under Subdivision H of Division 3 of Part III, other than for section 82KZM
  - the circumstances under which a customer is entitled to a GST credit for goods and services tax paid under the Offers
  - the tax consequences upon any assignment or transfer of a customer's rights under an Offer to another party, and
  - whether this scheme constitutes a financial arrangement for the purposes of Division 230 of the ITAA 1997 (taxation of financial arrangements).

### Who this Ruling applies to

4. This Ruling applies to you if you:
  - are accepted to participate in the scheme described in paragraphs 11 to 16 of this Ruling, as a customer, on or after 1 July 2025 and on or before 30 June 2028
  - use the products and services purchased under the Offer in carrying on a business for the purposes of gaining or producing assessable income, and
  - are a small business entity as defined in section 328-110 of the ITAA 1997 or an entity covered by subsection 82KZM(1A).

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<sup>1</sup> All references to 'Offer and Offers' in this Ruling are a reference to both or either of the CSBP PrePay Collect Later Offer or the CSBP PrePay Bonus Offer.

<sup>2</sup> All references to 'Terms and Conditions' in this Ruling are a reference to both or either of the CSBP PrePay Collect Later Offer Terms and Conditions or the CSBP PrePay Bonus Offer Terms and Conditions.

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5. This Ruling does not apply to you if you:
- are accepted to participate in the scheme before 1 July 2025 or after 30 June 2028
  - are not a small business entity as defined in section 328-110 of the ITAA 1997 or an entity covered by subsection 82KZM(1A)
  - participate in the scheme through offers made other than through the Terms and Conditions referred to in paragraph 11 of this Ruling
  - do not satisfy an assumption set out in paragraph 10 of this Ruling, or
  - are subject to Division 230 of the ITAA 1997 in respect of this scheme.

### ***Requirements of the Superannuation Industry (Supervision) Act 1993***

6. This Ruling does not address the provisions of the *Superannuation Industry (Supervision) Act 1993*. We give no assurance that the scheme is an appropriate investment for a superannuation fund. The trustees of superannuation funds are advised that no consideration has been given in this Ruling as to whether investment in this scheme may contravene the provisions of the *Superannuation Industry (Supervision) Act 1993*.

### **Date of effect**

7. This Ruling applies from 1 July 2025 to a customer specified in paragraph 4 of this Ruling that enters into the scheme from 1 July 2025 until 30 June 2028.

8. However, the Ruling only applies and may be relied on to the extent that there is no change in the scheme or in the customer's involvement in the scheme. If the scheme carried out is materially different from the scheme described at paragraphs 11 to 16 of this Ruling, this Ruling cannot be relied upon and may be withdrawn or modified.

### **Ruling**

9. Subject to paragraph 3 of this Ruling and the assumptions in paragraph 10 of this Ruling:

- (a) Any prepayment made by a customer to CSBP under the CSBP PrePay Collect Later Offer is deductible under section 8-1 of the ITAA 1997 in the income year it is paid.<sup>3</sup>
- (b) The Prepaid Funds paid by a customer to CSBP under the CSBP PrePay Bonus Offer is deductible under section 8-1 of the ITAA 1997 in the income year it is paid.<sup>4</sup>

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<sup>3</sup> The extent to which the prepayment is deductible under section 8-1 of the ITAA 1997 is subject to section 27-5 of the ITAA 1997 which denies a deduction for a loss or outgoing to the extent that it includes an amount relating to a GST credit to which a customer is entitled.

<sup>4</sup> The extent to which the Prepaid Funds are deductible under section 8-1 of the ITAA 1997 is subject to section 27-5 of the ITAA 1997 which denies a deduction for a loss or outgoing to the extent that it includes an amount relating to a GST credit to which a customer is entitled.

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- (c) Section 82KZM will not apply to deny a customer an immediate deduction for a payment referred to in subparagraph 9(a) or (b) of this Ruling and allowable as a deduction under section 8-1 of the ITAA 1997.
- (d) The anti-avoidance provisions in Part IVA will not apply to deny a customer a deduction for a payment referred to in subparagraph 9(a) or (b) of this Ruling.

### **Assumptions**

10. This Ruling is made on the basis of the following necessary assumptions:
- (a) The customer is an Australian resident for tax purposes.
  - (b) The customer is a small business entity as defined in section 328-110 of the ITAA 1997 or an entity covered by subsection 82KZM(1A).
  - (c) The customer is carrying on a primary production business with a purpose of producing assessable income in excess of its deductible expenditure, and all eligible CSBP products and services purchased under an Offer are used in carrying on that business.
  - (d) The customer has not chosen to apply section 82KZMD to the expenditure incurred under the Offer.
  - (e) The expenditure incurred under the Offer is not 'excluded expenditure' as defined in subsection 82KZL(1).
  - (f) Any products purchased by the customer under an Offer will not constitute trading stock and is not of a capital, private or domestic nature.
  - (g) Any services purchased by the customer under an Offer are not of a capital, private or domestic nature and will be provided within 12 months from the date of payment.
  - (h) The scheme will be executed in the manner described in the Terms and Conditions and in the Scheme section of this Ruling.
  - (i) All dealings between the customer and CSBP (or a CSBP sales agent) will be at arm's length.

### **Scheme**

11. The scheme is identified and described in the following:
- application for a product ruling as constituted by documents and information received on 24 April 2026
  - the CSBP PrePay Collect Later Offer Terms and Conditions, received on 24 April 2026, and
  - the CSBP PrePay Bonus Offer Terms and Conditions, received on 24 April 2026.

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

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12. For the purposes of describing the scheme, there are no other agreements (whether formal or informal, and whether or not legally enforceable) which a customer, or any associate of a customer, will be a party to which are a part of the scheme.

### Overview of scheme

13. CSBP offers 2 prepayment arrangements designed to support customer cash flow management by enabling them to pay for products and services during major agricultural sale periods. The arrangements are the:

- CSBP PrePay Collect Later Offer, and
- CSBP PrePay Bonus Offer.

14. The Order Form and Terms and Conditions of each Offer constitute an agreement between the customer and CSBP.<sup>5</sup>

15. Pursuant to the CSBP PrePay Collect Later Terms and Conditions:

- (a) Products or services ordered under the CSBP PrePay Collect Later Offer will be invoiced at the time the customer's order is placed, but acceptance of the order will only occur when CSBP issues an invoice and the customer has paid such invoice.
- (b) All products ordered under the CSBP PrePay Collect Later Offer must be collected within 12 months from the date of payment of the invoice.
- (c) CSBP reserves the right to cancel any order, or part order, to the extent that ordered products are not collected within 12 months of the date of payment of the invoice.

16. Pursuant to the CSBP PrePay Bonus Offer Terms and Conditions:

- (a) The customer makes a payment to CSBP referred to as Prepaid Funds. The Prepaid Funds
  - (i) are capped at a maximum of \$3 million
  - (ii) must be paid into the customer's CSBP Account
  - (iii) can only be used by the customer to purchase eligible CSBP products and services within 12 months of the date that the Prepaid Funds are paid to CSBP (Payment Date)
  - (iv) cannot be redeemed for cash and are not refundable in whole or in part, and
  - (v) will be forfeited if unused within 12 months of the Payment Date.
- (b) CSBP will credit a Bonus Amount to the customer's CSBP Account. The Bonus Amount
  - (i) is calculated daily by application of a specified rate<sup>6</sup> on the balance of Prepaid Funds held in the customer's CSBP Account during the period from the Payment Date up to 12 months from the Payment Date, and is credited monthly to the customer's CSBP Account on the first day of each calendar month during that 12 month period

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<sup>5</sup> All subsequent references to 'CSBP' in this Ruling are a reference to CSBP or a CSBP sales agent, as applicable.

<sup>6</sup> The rate is 5% per annum as at the date of issue of this Ruling, and subject to change.

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- (ii) can only be used by the customer to purchase eligible CSBP products and services within 12 months of the Payment Date
  - (iii) cannot be redeemed for cash and is not refundable in whole or in part, and
  - (iv) will be forfeited if unused within 12 months of the Payment Date.
- (c) CSBP may apply any Prepaid Funds paid by the customer, and any Bonus Amount added by CSBP to the customer's CSBP Account, to set off any amount owing by the customer to CSBP if the customer is
- (i) in default of payment obligations under a contract between them and CSBP
  - (ii) insolvent as defined under the *Corporations Act 2001*, or
  - (iii) an individual who commits an act of bankruptcy under the *Bankruptcy Act 1966*.

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**Commissioner of Taxation**

10 June 2026

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## Appendix – Explanation

**ⓘ** *This Explanation 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.*

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### Section 8-1 of the ITAA 1997 – deductibility of the prepayment

17. A loss or outgoing is deductible under section 8-1 of the ITAA 1997 if it is necessarily incurred in carrying on a business for the purpose of gaining or producing a taxpayer’s assessable income. The expenditure must be part of the cost of trading operations and must not be of a capital, private or domestic nature.

18. An outgoing incurred by a business will be ‘necessarily incurred’ where, in the circumstances, it is reasonably capable of being seen as desirable or appropriate from the point of view of the pursuit of the business ends of the business being carried on for the purpose of earning assessable income (see *Magna Alloys & Research Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia* [1980] FCA 180).

19. Upon entry into an Offer, the prepayment (under the CSBP PrePay Collect Later Offer) or the Prepaid Funds (under the CSBP PrePay Bonus Offer) is both immediately due and non-refundable such that the customer becomes definitively committed to, and incurs, the amount paid. As the relevant payment is incurred for the purchase of products and services to be used in the customer’s primary production business, it constitutes expenditure which is clearly appropriate from the point of view of the pursuit of the business ends of the customer’s business and is therefore necessarily incurred in the carrying on of that business.

20. The prepayment under the CSBP PrePay Collect Later Offer or the Prepaid Funds under the CSBP PrePay Bonus Offer necessarily incurred by the customer to purchase products or services in the course of carrying on its business is not of a capital, private or domestic nature. The deduction for the payment is allowable under section 8-1 of the ITAA 1997 in the income year the payment is made (that is, at the time it is necessarily incurred).

### Section 82KZM – prepaid expenditure incurred by certain small and medium business entities and individuals incurring non-business expenditure

21. Subject to paragraph 22 of this Ruling, section 82KZM operates to spread over more than one income year a deduction which, apart from that section, would be allowable under section 8-1 of the ITAA 1997 for the year of income in which the prepaid expenditure (other than excluded expenditure as defined in subsection 82KZL(1)) is incurred under an agreement by a taxpayer that is either:

- a small business entity, or an entity covered by subsection 82KZM(1A), for the year of income that has not chosen to apply section 82KZMD to the expenditure, or
- an individual that has not incurred the expenditure in carrying on a business.

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22. Section 82KZM applies if the eligible service period for the expenditure is longer than 12 months, or the eligible service period for the expenditure is 12 months or shorter but ends after the last day of the year of income after the one in which the expenditure was incurred.

23. In relation to the prepayment incurred by the customer under the CSBP PrePay Collect Later Offer, the eligible service period for the purpose of section 82KZM is the period to which the payment relates. That period is:

- from the date of payment of the invoice, being the day on which the thing to be done under the CSBP PrePay Collect Later Offer in return for the payment (that is, the provision of products and services by CSBP) is required or permitted (as the case may be) to commence being done
- until the date that is 12 months after the date of payment of the invoice, being the last day on which the thing to be done under the CSBP PrePay Collect Later Offer in return for the payment is required or permitted (as the case may be) to cease being done.

24. In relation to the Prepaid Funds incurred by the customer under the CSBP PrePay Bonus Offer, the eligible service period for the purpose of section 82KZM is the period to which the Prepaid Funds relate. That period is:

- from the Payment Date, being the day on which the first of the things to be done under the CSBP PrePay Bonus Offer in return for the Prepaid Funds (that is, the provision of products and services by CSBP and the calculation of the Bonus Amount credited to the customer's CSBP Account) is required or permitted (as the case may be) to commence being done
- until the date that is 12 months from the Payment Date, being the last day on which a thing to be done under the CSBP PrePay Bonus Offer in return for the Prepaid Funds is required or permitted (as the case may be) to cease being done.

25. The eligible service period in relation to the deductible prepayment under the CSBP PrePay Collect Later Offer or the deductible Prepaid Funds under the CSBP PrePay Bonus Offer is 12 months or less. As it is not more than 12 months and does not end after the last day of the year of income after the one in which the expenditure was incurred, section 82KZM will have no application to customers that (as assumed at paragraph 10 of this Ruling) are a small business entity (or an entity covered by subsection 82KZM(1A)) for the year of income and have not chosen to apply section 82KZMD to the expenditure.

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## References

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### *Legislative references:*

- ITAA 1936 Pt III Div 3 Subdiv H
- ITAA 1936 82KZL(1)
- ITAA 1936 82KZM
- ITAA 1936 82KZM(1A)
- ITAA 1936 82KZMD
- ITAA 1936 Pt IVA
- ITAA 1997 8-1
- ITAA 1997 27-5
- ITAA 1997 Div 230
- ITAA 1997 328-110

- SISA 1993
- Corporations Act 2001
- Bankruptcy Act 1966

### *Cases relied on:*

- Magna Alloys & Research Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia [1980] FCA 180; 49 FLR 183; 80 ATC 4542; 11 ATR 276; (1980) 33 ALR 213

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### ATO references

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