DEFERRED PROFITS

Forced Disposal or Death of Livestock

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YOU CAN ELECT TO REDUCE YOUR PROFITS WHERE YOU HAVE HAD EITHER ENFORCED CATTLE SALES OR HAVE RECEIVED COMPENSATION FOR THE COMPULSORY DESTRUCTION OF LIVESTOCK.

WHAT IS A FORCED DISPOSAL OR DEATH OF LIVESTOCK?

A forced disposal is when you sell or destroy the livestock because:

- land is compulsorily acquired or resumed under an Act;
- a state or territory leases land for a cattle tick eradication campaign;
- pasture or fodder is destroyed by fire, drought or flood and you will use the proceeds of the disposal or death mainly to buy replacement stock or maintain breeding stock for the purpose of replacing livestock;
- they are compulsorily destroyed under an Australian law for the control of a disease (including bovine tuberculosis) or they die of such a disease;
- or you receive official notification under an Australian law dealing with contamination of property.

WHAT ARE ELECTIONS?

Section 385-105 election

You elect to spread the tax profit from the forced disposal or death of livestock over a period of five years in equal instalments including the year of the forced disposal. These are fixed amounts and cannot be varied.

Section 385-110 election

You elect to defer the tax profit from the forced sales to reduce the cost of replacement livestock or be included as income to offset against the cost of breeding replacement livestock. This can happen any time in the next five income years. Any unused part of the profit is included as income in the fifth year after deferral.

HOW IS THE TAX PROFIT CALCULATED?

The tax profit is calculated as the proceeds received for the sale or destruction less either the cost of the livestock if they were purchased during that year or the average cost as per the trading stock schedule at the start of the year.

DISENTITLING EVENTS

Any remaining deferred profit must be included as income if any of the following events happen:

- An individual or a partner in a partnership dies;
- An individual, partner in a partnership or beneficiary of a trust becomes bankrupt;
- An individual, partner in a partnership or beneficiary of a trust leave Australia permanently;
- An individual, partner in a partnership or trust ceases to carry on the primary production business to which the election relates.

CHANGE IN PARTNERSHIP OWNERSHIP

A new partnership can elect to be treated as a continuation of the old partnership so that a disentitling event does not happen. This is only possible if it immediately takes over the primary production business of the old partnership and there is a common 25% ownership between the new and the old partnerships.

This also applies if an individual transfers their business to a partnership in which they have a least a 25% interest. This means that the disentitling event is deemed not to have happened and the new partnership must deal with the outstanding deferred profits as per the original election.

FOR MORE INFORMATION CONTACT

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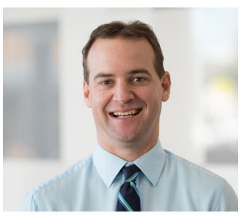

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