

**SUBMISSION FORM**  
**Review of Taxation Treatment of Plantation Forestry**

**NAME:** Peter, Kathy, John and William Jeffreys

**ADDRESS:** Delegate Station  
Delegate 2633

**E\_MAIL:** [delegatestation@hotmail.com](mailto:delegatestation@hotmail.com)

**ORGANISATION:** members of the Delegate Community

- ❑ The current tax incentives for the MIS supported Plantation Industry, **encourages establishment of plantations, rather than timber production**, the result being the demand is, for the least expensive land to purchase and plant, (i.e. treeless plain), instead of what should be the driver, **the best land for timber production**. In many cases this is not best practice development. The Plantation Company is competing directly with other land users, for the purchase of land, in a process, **not market driven, but tax driven**. The Agricultural Industry in some areas is being replaced, by the Plantation Industry, whereas it could be enhancing the same.
  
- ❑ It is our opinion, more forward thinking, tax incentives, **based on production, rather than establishment** could lead to a plantation industry, that builds on the existing community, **instead of replacing one industry with another**. In the United Kingdom, where the tax incentives are now on production rather than establishment, the change, has resulted in making Scotland's countryside more beautiful as well as more productive (timber) and is contributing towards keeping people and communities in rural districts.
  
- ❑ **Production based tax incentives**, would encourage existing landholders to establish plantations. A system more sympathetic, **to blending the forestry into the landscape**, would be more environmentally sustainable.
  
- ❑ Under the UK System, the government encourages forest development with direct grants for establishment, but doesn't tax the end product. Our understanding of this system, is that, the government's outlay, would be significantly reduced, at the establishment stage, and the expectations of tax gains (through PAYE tax), at harvest, greater, with **the motivation on production**. The government's aim of replacing imports of timber products, more achievable, with production of better quality timber, thus being more attractive to processors.
  
- ❑ There are plantation companies operating outside of the MIS system, in our area, so, therefore, competing on an even playing field, for landuse. These companies appear to be more selective, **on site selection, presumably, to maximise wood production**, but the resulting landscape is **more sympathetic to the environment**.

**Some areas the government needs to consider in their present MIS schemes for plantations are**

1. The very long term nature of **the investors' notional business commitment in forestry**.
2. **The high upfront fees** offered to agents to secure investment in such schemes by investors.
3. The very **different financial interest of** plantation companies, as promoters of the schemes from those of their investors
  
4. **The high up front profits to be made by plantation companies**

**The Australian Tax Office quite rightly absolves itself from any implied endorsement of an approved MIS as being a sound investment. Nevertheless, it seems to us that the ATO does have a responsibility to the Federal Government and the Australian taxpayers in general to ensure that taxpayer money is not wasted. We strongly suggest the Australian Government look at the United Kingdom experience, and implement a system based on PRODUCTION RATHER THAN ESTABLISHMENT.**

We'd like the matters raised in previous sheet to be considered in the Review of Taxation Treatment of Plantation Forestry. Following are some brief comments addressing specific terms of reference. We acknowledge our submission won't present, as professionally, as highly paid professionals lobbying for plantation incentives, however, our views represent some of the growing questions raised in relation, to pine plantation development at a grass roots level.

- A) The current tax treatment of plantation investment **encourages establishment, not timber production**. Plantation companies are drawn by the high profits in establishment. Long term commercial viability of the industry, has more to do with the quality of the end product.
  
- B) The answer is Yes, but a change to a **tax incentive focused on the end product**, would solve the problem. **High quality timber allows better opportunity for value adding**. Australia needs wood product for value adding, not simply to be exporting raw material.
  
- C) The current role of state government as significant players in the plantation industry, contributes to regional employment. There appears to be inbuilt subsidies for regional processors and exporters. State government involvement in plantation development is increasingly being questioned and maybe privatised
  
- D) The current tax policies don't appear to be achieving the Australian government's desire, to achieve a greater integration of plantation and natural resources policies, to improve the management of salinity and water quality. A direct subsidy for plantations as per the already mentioned UK system could be more weighed to achieve this, as in fact has been the UK experience.
  
- E) Again, our simple point is the **current system is encouraging establishment development rather than encouraging quality timber production**.