

28<sup>th</sup> July 2005

Review of the Taxation of Plantation Forestry  
C/- Department of the Treasury  
Langton Crescent  
Parkes  
ACT 2600

Dear Sirs

**Restructuring of Tax Laws to allow  
longer growing commercial species, such as *P.radiata* to  
compete with short rotation pulpwood species,  
such as *E.globulus***

As a Consulting Forester with experience in the commercial side of plantation establishment and maintenance over 30 and more years, including eight as the Honorary National Secretary of the AFG in its development years where I was heavily involved in taxation issues, I am submitting the following for consideration:

A reversal of the tax ruling which places the onus on a grower to keep his asset or lose their up front deduction if they sell the asset prior to receiving all the income from the investment would allow a secondary market to be created. This is very important for the short rotation tree crops and for the long rotation ones as well.

For logistical and plant performance reasons, maintaining the twelve month rule permanently is also important.

However, the secondary market in the early stages might not produce market values which exceed the original cost of investment or establishment and maintenance for long rotation tree crops.

Values for sale would, therefore, have to be based on tables calculated either for present day values of future income or compound values from establishment at nominated opportunity cost interest rates.

It might also be necessary, in that approach, to dissect any M.I.S. Company overheads and profit from the costs of establishment and maintenance.

In order even then for a grower to be interested to buy an existing plantation, the value in the early stages may not interest buyers, except Institutions.

In order to maintain those interested as individuals in buying or selling their interest in a plantation, it would be likely to be successful if the seller at any stage, pays tax on his profit based on determined valuation and the buyer is allowed the same deduction principle as the seller obtained at the start from his income, or if there are more than two buyers and sellers over time of one plantation area then each time the transaction takes place that principle applies. The Federal Government collects tax every time, providing a

principle disallowing the losses is established, say with a minimum holding time of not less than five years.

It has to be remembered the **only** successful way to attract investment has been by individuals being treated as primary producers if they are to own an acre of standing trees.

This would allow, not only *P.radiata* plantations to be attractive to buy and sell, but to encourage long term species, like Red Cedar, for a sixty year rotation to be included in a portfolio with perhaps six or seven transactions in the process overtime.

Simply removing the tax clause stopping an establishment owner from selling without penalty is unlikely to produce the results required for long term rotation investment by individuals.

If that clause alone is changed it will only allow institutional investors who have superannuation or straight capital to invest, to purchase, often at depressed prices, I would have thought.

This might encourage individual investment without too much thought as to all the qualities required to produce sawlogs.

There is no doubt the Australian Industry will be short of softwood logs if favourable arrangements are not put in place now and by introducing the system I have described, species with much longer rotations could be grown in competition with short rotation species.

Companies and forest services are reluctant themselves to invest in crops to the degree necessary to lift the long rotation tree crop volumes to the levels to meet demand and reduce the International balance of payments.

Yours sincerely

R L Newman