

# EXPOSURE DRAFT

EXPOSURE DRAFT (10/02/2023)

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Inserts for  
**Treasury Laws Amendment (Measures  
for Future Bills) Bill 2023: Tax  
accounting for primary producer  
registered emissions units**

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**Commencement information**

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<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>Provisions</b>	<b>Commencement</b>	<b>Date/Details</b>

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1. Schedule #	The first 1 January, 1 April, 1 July or 1 October to occur after the day this Act receives the Royal Assent.	
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## Schedule #—Tax accounting for primary producer registered emissions units

### *Income Tax Assessment Act 1997*

#### **1 Subsection 392-45(2)**

Repeal the subsection, substitute:

(2) Your *basic assessable income* for an income year is your assessable income for the income year, less:

- (a) any amount included in your assessable income under section 82-65, 82-70 or 302-145 (certain employment termination payments and superannuation benefits); and
- (b) any \*net capital gain included in your assessable income under Division 102.

#### **2 Subsections 392-80(2) and (3)**

Repeal the subsections, substitute:

##### *Assessable primary production income*

(2) Your *assessable primary production income* for the \*current year is the sum of:

- (a) any amount of your \*basic assessable income for the current year that was \*derived from, or resulted from, your carrying on a \*primary production business; and
- (b) any amount included in your assessable income under section 420-25 for the current year because you cease to \*hold a \*primary producer registered emissions unit; and
- (c) any amount of your basic assessable income for the current year that resulted from an amount included in a trust's assessable income under section 420-25 because the trust ceases to hold a primary producer registered emissions unit; and
- (d) any amount of your basic assessable income for the current year that was derived from, or resulted from, an \*arrangement with an entity to the extent that:
  - (i) the arrangement relates to the entity starting to hold, holding or ceasing to hold an \*Australian carbon credit unit; and

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- 1 (ii) the unit would have been a primary producer registered  
2 emissions unit if you were starting to hold, holding or  
3 ceasing to hold the unit (as applicable) instead of the  
4 entity; and  
5 (iii) the amount does not relate to a \*quasi-ownership right  
6 over land.

7 *Primary production deductions*

- 8 (3) Your *primary production deductions* for the \*current year are:  
9 (a) all amounts you can deduct that relate exclusively to the  
10 amount referred to in paragraph (2)(a); and  
11 (b) so much of any other amounts you can deduct (other than  
12 \*apportionable deductions) to the extent that they reasonably  
13 relate to the amount referred to in paragraph (2)(a); and  
14 (c) so much of any other amounts you can deduct for the current  
15 year in relation to expenditure you incur in:  
16 (i) starting to \*hold a \*primary producer registered  
17 emissions unit; or  
18 (ii) ceasing to hold such a unit; and  
19 (d) so much of any other amounts you can deduct for the current  
20 year in relation to expenditure you incur under an  
21 \*arrangement with an entity to the extent that:  
22 (i) the arrangement relates to the entity starting to hold,  
23 holding or ceasing to hold an \*Australian carbon credit  
24 unit; and  
25 (ii) the unit would have been a primary producer registered  
26 emissions unit if you were starting to hold, holding or  
27 ceasing to hold the unit (as applicable) instead of the  
28 entity; and  
29 (iii) the expenditure does not relate to a \*quasi-ownership  
30 right over land.

31 Note 1: For the expenditure covered by subparagraph (c)(i), see  
32 subsections 420-15(1) and (4) and 420-65(4).

33 Note 2: For the expenditure covered by subparagraph (c)(ii), see  
34 subsection 420-42(1).

35 **3 At the end of Subdivision 420-A**

36 Add:

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## 420-13 Meaning of *primary producer registered emissions unit*

- A \*registered emissions unit you start to \*hold, hold or cease to hold is a *primary producer registered emissions unit* if:
- (a) the unit is an \*Australian carbon credit unit; and
  - (b) you are an individual or a trust; and
  - (c) your holding of the unit starts:
    - (i) on or after 1 July 2022; and
    - (ii) because the unit is issued to you under the *Carbon Credits (Carbon Farming Initiative) Act 2011* in relation to an eligible offsets project (within the meaning of that Act); and
  - (d) at all times while the project is carried on, a \*primary production business is carried on:
    - (i) in the same area as the project; or
    - (ii) in an area connected to an area in which the project is carried on; and
  - (e) if you are an individual—at all times while the project is carried on, you are:
    - (i) carrying on a primary production business covered by paragraph (d); or
    - (ii) a beneficiary of a trust that is carrying on a primary production business covered by paragraph (d); or
    - (iii) a partner in a partnership that is carrying on a primary production business covered by paragraph (d); and
  - (f) if you are a trust—at all times while the project is carried on, you are carrying on a primary production business covered by paragraph (d).

Note 1: If you cease to hold the registered emissions unit, the unit is not a primary producer registered emissions unit for any new holder of the unit (see paragraph (c)).

Note 2: A consequence of paragraph (c) is that the unit will not be a primary producer registered emissions unit for you for a subsequent holding of it. That is, if after disposing of the unit you later reacquire it.

Note 3: Different subparagraphs of paragraph (e) may apply to you at different times.

## 4 At the end of Subdivision 420-D

Add:

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## 1 420-62 Primary producer registered emissions units

2 This Subdivision (other than section 420-60) does not apply to you  
3 in relation to a \*primary producer registered emissions unit.

## 4 5 At the end of section 420-65

5 Add:

6 *Primary producer registered emissions units*

7 (7) Subsections (1), (2) and (6) do not affect the application of:

8 (a) Division 392 (long-term averaging of primary producers' tax  
9 liability); or

10 (b) Division 393 (farm management deposits);  
11 to expenditure to the extent that you incur it in becoming the  
12 \*holder of, or ceasing to hold, a \*primary producer registered  
13 emissions unit.

## 14 6 After subsection 420-70(2)

15 Insert:

16 (3) Subsections (1) and (4) do not affect the application of:

17 (a) Division 392 (long-term averaging of primary producers' tax  
18 liability); or

19 (b) Division 393 (farm management deposits);  
20 to an amount that you are entitled to receive because you ceased to  
21 \*hold a \*primary producer registered emissions unit.

## 22 7 Subsection 995-1(1)

23 Insert:

24 *primary producer registered emissions unit* has the meaning given  
25 by section 420-13.

## 26 8 Application of amendments

27 The amendments made by this Schedule apply to assessments for the  
28 income year that includes 1 July 2022 and later income years.

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