

Preparation of Land for Primary Production Exemption

Land Tax Act 2005 Revenue Ruling LTA 006

Preamble

Land used solely or primarily for primary production purposes may be exempt from land tax under section 65, 66 or 67 of the *Land Tax Act 2005* (the Act) (the primary production exemption). Section 68 of the Act extends the primary production exemption to land that is being prepared for primary production use (preparatory exemption). To claim the preparatory exemption, the owner of the land must apply in writing to the Commissioner of State Revenue (the Commissioner) as required by section 69 of the Act.

The purpose of this Revenue Ruling is to provide guidance as to what are considered preparatory activities to satisfy section 68 of the Act.

Ruling

If the Commissioner is satisfied that the land will be eligible for the primary production exemption once the preparatory activities have been completed, the preparatory exemption in section 68 of the Act will apply. In addition, the preparatory activities must be part of a continuous, consistent and unbroken effort directed towards primary production activity.

The common preparatory activities are:

- clearing of land
- establishment of fences
- construction of fire breaks
- planting of wind breaks
- eradication of noxious weeds or vermin
- fertilising
- ploughing
- topsoil enhancement
- regeneration of land following salt encroachment, and
- establishment of dams or irrigation to ensure adequate water supply

If the preparatory activities do not form part of the process of the type of primary production to be undertaken on the land, the preparatory exemption does not apply. Also, the preparatory exemption in section 68 of the Act will not be granted where the preparatory activities are for:

- the construction of a place of residence on the property,
- the cultivation of plants or trees for experimental or pilot purposes, or
- conducting feasibility studies.

Depending on the specific requirements of the type of primary production or the condition of the land, the Commissioner may take other factors into account in determining whether the preparatory exemption applies.

Period of preparation time

Section 68 of the Act requires primary production activities on the land to take place within 12 months from the commencement of the preparatory activities. Where the preparatory activities last longer than 12 months, the Commissioner has discretion under section 68(2) of the Act to extend this period by a further 12 months.

The Commissioner may request any information that he considers relevant to assist him in determining whether the preparatory exemption applies. Each application will be determined on its own merits.

This Revenue Ruling covers land subject to land tax for the 2006 land tax period and onwards.

Please note that rulings do not have the force of law. Each decision made by the State Revenue Office is made on the merits of each individual case having regard to any relevant ruling. All rulings must be read subject to Revenue Ruling GEN.001.