

28 March 2007

**Willmott Forests Limited**

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## COMPANY ANNOUNCEMENT

### Transition for agribusiness-MIS makes good sense

Willmott Forests Limited, Australia's largest developer of new softwood forestry plantations, welcomes the Australian Taxation Office's announcement of a transitional period in relation to the proposed new taxation arrangements for agribusiness managed investment schemes.

PLANT

Under these transitional arrangements forestry managed investment schemes will now have the existing and new regimes operating in tandem through the course of FY2008 where project managers will be in a position to decide when, during that year, to move to the new taxation regime for forestry.

MANAGE

As announced on 21 December 2006 by the Assistant Treasurer, the Hon Peter Dutton MP and the Minister for Fisheries, Forestry and Conservation, the Hon Eric Abetz "...investors in forestry MIS will be entitled to immediate upfront deductibility for all expenditure provided that at least 70 per cent of the expenditure is expenditure directly related to developing forestry ("direct forestry expenditure")."

HARVEST

Peak industry body, Treefarm Investment Managers Australia, have been working with the Tax Office on these transitional arrangements and a copy of their media release is included with this announcement.

CEO of Willmott Forests Limited, Marcus Derham, said "...these transitional arrangements make good sense for our business as it gives us the opportunity to move to the new system, where participants in forestry projects will continue to be entitled to a 100% tax deduction, in an orderly manner."

PROCESS

"As we have already been issued with our Product Ruling for our FY2008 project we will be on market all day every day and our business will not miss a beat." Mr Derham said.

SUPPLY

### About Willmott Forests

Willmott Forests Limited is an integrated softwood forestry company that produces a wide range of timber products from its timber processing operations in Bombala NSW.

A Quality Endorsed Company, with total assets in excess of \$220 million Willmott Forests manages 30,000 hectares of commercial softwood plantations on behalf of more than 3,400 individual growers. The majority of these plantations are located in south-east New South Wales and north-east Victoria.

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# FOR MEDIA

28 March 2007

## One-year transition to the new tax regime for forestry MIS

**Forestry managed investment schemes have been guaranteed a seamless 12-month transition until 1 July 2008 to adjust to the new tax regime announced by the Government on 21 December 2006.**

**Forestry MIS projects will now be able to continue operating under the current tax arrangements until 30 June 2008, not 2007 as first announced. From then on, a new statutory deduction will become the only means of offering essential tax deductibility for forestry MIS investors.**

Alan Cummine, Executive Director of Treefarm Investment Managers Australia, said today that TIMA and other plantation industry representatives had been negotiating a transitional arrangement with the Tax Commissioner for several weeks.

“The Commissioner has recognised that a transition period is critical to prevent avoidable and unnecessary disruption to one of Australia’s most successful wealth-creating rural industries,” Mr Cummine said.

Mr Cummine was clarifying the media announcements of Tuesday 27 March by both the Tax Commissioner and Assistant Treasurer Dutton, and confirmed that the announcement applies to forestry as well as non-forestry agribusiness MIS projects.

Mr Cummine was also clarifying the Tax Commissioner’s intention to run a court case as soon as possible to test his new view of the law that participants in forestry and non-forestry agribusiness managed investment schemes are not ‘carrying on a business’.

Mr Cummine summarised the arrangements as follows:

- The new forestry MIS ‘specific deduction’ under section 8-5 of 1997 Tax Act is expected to be accessible from 1 July 2007. Once the law is enacted, ATO will be prepared to issue Product Rulings for schemes wishing to operate under the new regime. But such Product Rulings may not be available for several months after July 2007 – one reason a transition arrangement is needed.
- To enable that transition, the Tax Commissioner has announced (on Tuesday 27 March) that he will defer the ‘date-of-effect’ of his new view of the law until 1 July 2008. This means that ATO will continue to issue Product Rulings under the existing ‘carrying-on-a-business’ regime for projects entered into before 30 June 2008, or until the date of a court decision that supports the Tax Office view in a test case, whichever is earlier.

“What this means is that both the existing and new regimes will run in parallel more or less until 30 June 2008. This is a good and workable arrangement, because it will give the forestry MIS companies and the Tax Office time to adjust, to bed down the new regulatory arrangements, and to do any project restructuring that may be necessary,” Mr Cummine said.

“The most important feature of the new statutory tax regime for forestry MIS is that the investor will still be entitled to deduct the full amount of payments made to the forestry manager, as has been the case for decades. This is why the private sector has been able to take up the slack resulting from the slowing down of government investment in new and replanted plantations,” Mr Cummine said.

**Contact: Alan Cummine, TIMA Executive Director, 0407 488 927**

*Treefarm Investment Managers Australia is the special interest branch of Australian Forest Growers that uniquely represents the interests of the forestry managed investments sector.*