



The Hon Wilson Tuckey MP

**Minister for Forestry and Conservation
Minister Assisting the Prime Minister**

The Editor
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Dear Sir

The article by Alan Kohler, *Tax bill to ringbark tree schemes (AFR, 10 June 2000)*, misrepresents the true position of plantation forestry in Australia. The afforestation industry is a vital component of the Government's 2020 Plantation Vision and we remain committed to providing a 100% tax deduction in the year of expenditure for properly endorsed projects.

All of the plantation-management companies operate under the scrutiny of the *Managed Investment Act 1998*, which provides investors with the confidence that their investments represent bona fide expenditure on tree establishment and management. The Australian Securities and Investment Commission evaluates the structure of each project and their taxation treatment is confirmed by product rulings issued by the Australian Taxation Office. Contrary to Mr Kohler's claims, the ATO advises that the industry has a negligible history of tax evasion scams. These have now been reduced to nil by these measures.

Mr Kohler referred to the introduction of measures to deal with the tax deductibility of prepayments and non-commercial losses under the *New Business Tax System (Integrity Measures Bill) 2000*. Old news - these changes were announced by the Government on 11 November 1999 as part of the stage 2 response to the Ralph Review of Business Taxation.

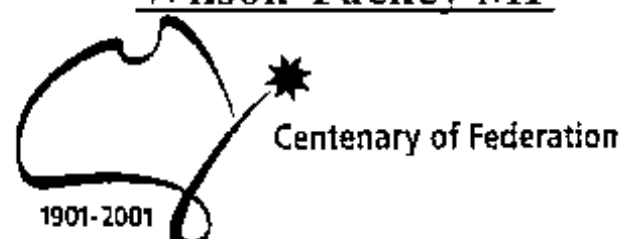
The afforestation companies have already responded positively by accepting that payments from investors must be matched more closely to on ground forestry activities. The only change brought about by the abolition of the 13-month rule is that investment will now be sought more evenly through the year. This has also reduced even further any opportunities for fly by night operators.

The afforestation companies have a legitimate and important role to play in the future development of Australia's timber industry. Their scale of activity will soon be sufficient to justify major investment in processing and value-adding to deliver significant new employment opportunities in regional Australia and to address our \$2 billion trade deficit in forest products.

It is simply nonsense to describe this as a "mad tax-induced binge", or the removal of the 13-month rule as a "very effective rug pull." Prospectus-based plantation forestry has made a major contribution to the national plantations strategy with significant economic, environmental and social benefits. I expect that contribution to continue and expand.

Yours sincerely

Wilson Tuckey MP



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