



GE

Kirby Anderson

Director – Government Affairs, Finance & Policy
Australia, New Zealand & Papua New Guinea
Level 2, 226 Logan Road
Buranda, Queensland 4102



April 7, 2014

Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

Email: Agricultural.Competitiveness@pmc.gov.au

RE: Agricultural Competitiveness White Paper

General Electric (GE) commends the Australian Government, through Federal Agriculture Minister The Honourable Barnaby Joyce MP, on the initiative to prepare an Agricultural Competitiveness White Paper.

Through its 118-year association with Australia, GE knows the importance of agricultural production to Australia's economic and social development, particularly in regional and rural areas.

GE works with partners and customers in Australia across its Capital, Oil & Gas, Power & Water, Energy Management, Healthcare, Aviation, Transportation and Mining businesses; supplying finance, technology and services to projects across the nation.

These projects have included the development of mineral and petroleum resources and harnessing renewable energy sources, such as wind. As a supplier to these projects, GE understands the comprehensive environment impact statement processes undertaken by project proponents and the initiatives employed to strengthen the co-existence between their project and established land users, such as primary producers.

While resource and energy projects can be viewed as competition for land and workers, all stakeholders should seek to maximise the benefits for primary producers and their dependent communities from these projects.

In 2012, GE recommended to the then Australian Government it consider increasing the non-farm income eligibility threshold to access the Farm Management Deposit Scheme from \$65,000 per annum. This threshold was increased \$50,000 pa by the Howard Government in 2005-06.

Then Minister for Agriculture, Fisheries and Forestry Senator The Honourable Joe Ludwig referred the proposal to the National Rural Advisory Council for its Inquiry into the Effectiveness of the FMD Scheme.

GE's rationale was the development of coal seam gas (CSG) reserves and the expansion of wind energy generation were providing additional sources of income for more landholders. According to the guidelines for the FMD Scheme and definition of "assessable primary production income" under the *Income Tax Assessment Act 1997*, income received by host primary producers would be deemed to be non-farm income. Without an increase in this eligibility threshold and/or amendment of the definitions, there could be a perverse outcome where primary producers earn additional income from these projects but become ineligible to access the FMD Scheme, which successive Governments have maintained as a risk management tool.

In response to the NRAC recommendation, the former Australian Government pledged to increase the non-farm income threshold to \$100,000 pa from July 2014. The current Government has introduced legislation, the *Tax Laws Amendment (2014 Measures No. 1) Bill 2014*, to implement the change.

In its submission to NRAC, GE also proposed a further reform to broaden the definition of "assessable primary production income" under the Act to include revenue from projects, such as but not limited to, wind farms.

NRAC's report responded on this issue by stating:

"NRAC understands the rationale of stakeholders suggesting exemptions for some sources of non-primary production income from the income threshold criterion or amendments to the definition of primary production income to include additional activities. In relation to the former, NRAC considers it would be difficult to differentiate between potential exemptions in an objective way, given the wide range of circumstances and interests of individual farm businesses. In relation to the latter, the definition of primary production income is contained in taxation legislation and NRAC recognises that any amendment would have wide-ranging impacts beyond the FMD Scheme, such as income averaging provisions and other primary producer-specific taxation concessions."

Separately, the Australian Taxation Office inquired specifically for wind farms in 2012 (TD 2012/D9) –

"Income tax: does ordinary income derived by an individual from allowing wind farming infrastructure to be constructed, operated and accessed on freehold land that they own and use in carrying on a primary production business constitute 'assessable primary production income' of that individual for the purposes of Division 392 of the Income Tax Assessment Act 1997?"

The ATO determined (TD 2013/2) that:

"As any income derived from allowing the construction and operation of and access to wind farming infrastructure is not from the primary production business being conducted on the land by the individual, such income is not 'assessable primary production income' for the purposes of Division 392 of the ITAA 1997."

GE believes the additional reform of broadening the definition of “*assessable primary production income*” should be further considered by the Government, particularly in the context of the current examination of assistance for drought-affected primary producers and the broader development of its Agricultural Competitiveness White Paper.

GE believes such a farm would positively respond to the White Paper’s questions for consideration (page 13):

- *What approaches could be used to encourage improved drought preparedness?*
- *During drought, what measures are most effective in ensuring long term resilience?*

It would do this by underpinning the diversification of farm incomes, reaffirm the value of the FMD Scheme to improve resilience of Australia’s primary producers and improve co-existence between agricultural land use and new developments such as in the resource and energy sector.

If I can provide clarification or additional information, please contact me on (07) 3001 4339 or kirby.anderson@ge.com.



Kirby Anderson

Director – Government Affairs, Finance & Policy
GE Australia, New Zealand & Papua New Guinea