

Committee Secretary
Standing Committee on Primary Industries
and Regional Services
House of Representatives
Parliament House
CANBERRA ACT 2600
AUSTRALIA

99/C4493

Dear Secretary,

This is a supplement to our major submission to your Committee Inquiry into Infrastructure and the development of Australia's regional areas.

In that submission we discussed some of the problems we face in raising revenue for renovating the rural water supply and drainage infrastructure under our control, and especially the problem of Federal taxation being applied to our income raisings and the timing problem for depreciation relief.

Our treatment under the tax legislation is not fair, nor is there any semblance of competitive equality. That is obviously unintended, however it is no less real on the basis of the intent.

COMPETITION HANDICAP

If one person or corporation owned all the farms and the channel systems as a conglomerate, they would be treated as a Primary Producer for all the activities, including the creation of water supply and drainage assets.

We are treated differently than a corporate body would be if they owned the farms as well as the water supply and drainage system, even though our company is;

- owned by the taxpayer irrigators,
- not permitted to pay them a company dividend,
- not permitted to return company capital to them, even on windup,
- operated to cover costs of operation, maintenance and future renewal of assets, and not to earn a profit,

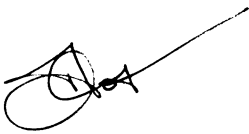
Taxpayers who are operating a primary production activity, have access to 100% deduction in the year of expense for drainage capital investments, and a three year write off period for water (supply) facility investments.

There is no irrigated primary production without the supply and drainage system. Ours is just a lot bigger and is co-operatively owned by a conglomerate of taxpayer irrigators who operate Primary Production activities.

We have no access to the taxation arrangements available to primary producers, despite the common ownership, and dependent relationship between our company and the serviced irrigation farmers. We are expected to battle with income raisings being assessable on receipt and expenditure on water supply and drainage investments permitting depreciation rates of between 1 and about 7 per cent per year. We miss out on the accelerated depreciation provision, which could make the difference for our company.

In the interests of competitive neutrality it seems reasonable to suggest that we should be treated the same as a private conglomerate would be if they owned the farms and the water supply and drainage system. That would involve recognising our company as a taxpayer carrying on a primary production activity.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Dick Thompson', with a long horizontal line extending to the right.

Dick Thompson
Chairman

21 April, 1999