Primary producers concessions

Defines primary production and the specific rules about reporting and tax concessions for primary producers.

Primary production activities

Which business activities are considered primary production and impacts for beneficiaries of primary production trusts.

Managing varying primary production income

Help for primary producers to manage the way in which their situation may vary substantially from one year to the next.

Livestock and other assets

Special rules for deductions that apply to livestock and to certain other types of assets and capital expenditure.

Managing your tax

Special rules apply to the way primary producers calculate and pay GST, LCT and PAYG instalments.

Record keeping in the primary production industry

Records you need to keep for your daily business transactions if you are a primary producer.

QC 16878

Primary production activities

Which business activities are considered primary production and impacts for beneficiaries of primary production trusts.

Last updated 22 August 2025

Who can be a primary producer?

A primary producer can be an individual, partnership, trust or company operating a primary production business if they undertake:

- plant or fungi cultivation (or both)
- animal maintenance or domestic breeding (or both)
- fishing or pearling (or both)
- tree farming or felling (or both).

Operating a business

You need to consider various indicators before you decide if your activity is a business of primary production.

Read **Are you in business?**, or **Taxation Ruling TR 97/11** *Income tax: am I carrying on a business of primary production*.

If the activity is being conducted by a company, see **Taxation Ruling TR 2019/1** *Income tax: when does a company carry on a business?*

You are not operating a business if the activity is better described as a hobby, a form of recreation or a sporting activity.

Plant or fungi cultivation

Plant or fungi cultivation includes:

- cultivating or propagating plants, fungi or their products or parts (including seeds, spores, bulbs and similar things) in any physical environment.

Animal maintenance

Animal maintenance includes:

- maintaining animals for the purpose of selling them or their bodily produce, including natural increase
- manufacturing dairy produce from raw material that you produced.

Domestic animal breeding

This includes the commercial breeding of domestic pets, including dogs, cats, fish, chickens, and all other animals, and is included under the term 'animal maintenance'.

Fishing or pearling

Fishing and pearling includes conducting operations relating directly to:

- taking or catching fish, turtles, dugong, bêche-de-mer, crustaceans or aquatic molluscs
- taking or culturing pearls or pearl shell.

Tree farming or felling

Tree farming and felling includes:

- planting or tending trees in a plantation or forest that are intended to be felled
- felling trees in a plantation or forest
- transporting trees or parts of trees that you felled in a plantation or forest to the place
  - where they are first to be milled or processed

– from which they are to be transported to the place where they are first to be milled or processed.

If you are operating a business of establishing trees for the purpose of carbon sequestration (carbon sink forests), you will be eligible for **carbon sink forest** deductions.

Beneficiaries of primary production trusts

If you are the **beneficiary** of a primary production trust, you may be in a business of primary production if:

- the trustee has nominated you as a chosen beneficiary
- you are the beneficiary of a fixed trust.

This may be the case even where the **primary production trusts has made a loss.**

Tree farming (forestry operations)

Your tax obligations when running a forestry operation – otherwise known as tree farming.

QC 42299

Tree farming (forestry operations)

Your tax obligations when running a forestry operation – otherwise known as tree farming.

Last updated 22 August 2025

Overview

If you are running a business of forestry operations (often referred to as tree farming), you:

- need to declare the income

- can claim deductions for costs associated with purchasing, establishing or maintaining the trees.

For information, see our Tree farming (forestry operations) – income and expenses (PDF, 216KB) fact sheet.

You may be running a tree farming business even if you undertake other primary production activities on your land, such as a dairy farm.

This information does not apply if you are participating in **forestry managed investment schemes**, or you plant trees for other purposes, such as:

- shelterbelts
- carbon sink forests
- horticulture plants

More information can be found in Taxation Ruling **TR 95/6** *Income tax: primary production and forestry.*

If you are carrying on a tree farming business

The deductions you can claim and the income you must declare depend on whether you are carrying on a tree farming business (even if you are also carrying on other primary production business on your land).

To be carrying on a tree farming business, you must:

- intend to fell the trees (the lopping of branches and heads, the removal of bark or the sawing into manageable lengths) for sale at a profit
- run your activities in an organised and business-like way.

Your individual circumstances will determine if you are carrying on a tree farming business.

It's likely you are carrying on a tree farming business if:

- you incur those expenses under Costs you can claim immediately, and

- you carry on your activity in a commercial manner, with the reasonable expectation to make a profit.

However, if you don't actively tend and maintain the trees, you may not be carrying on a tree farming business. An example could be when you purchase a plantation but do not take any further action in relation to it.

If you are unsure whether you are carrying on a business, contact us or your registered tax advisor for advice.

For more information, see Taxation Ruling TR 97/11 *Income tax: am I carrying on a business of primary production?*

Income you need to declare

If you are carrying on a tree farming business, you need to declare the following sources of income:

- proceeds from the sale of felled timber
- proceeds from the sale of standing timber
- royalties received from granting rights to others to fell and remove timber
- insurance recoveries
- re-afforestation incentive grants or payments.

Market value of standing timber

In some cases, the market value of standing timber may be assessable income and therefore will need to be declared. An example is when you sell the land on which the trees are growing and the trees were planted and tended for the purpose of sale.

In this case you need to establish the market value of the trees before you sell the land. You can do this using someone who has expertise in the value of standing timber. The market value is the price a typical arm's length purchaser would be willing to pay.

If the market value of standing timber is assessable income, capital gains tax (CGT) may apply to the remaining value of the land. But you won't be taxed twice on the standing value of the timber.

In most cases, CGT will not apply to profits from the sale of standing or felled timber. This is because the profits will be assessable as either:

- ordinary business income
- income from an isolated transaction that was entered into for the purposes of making a profit outside the ordinary course of your business.

Primary production concessions

You may be able to access primary production concessions in relation to the income from your tree farming activities, such as **farm management deposits** and primary production **tax averaging**.

Expenses you can claim

If you are carrying on a tree farming business, you can claim a deduction for most of the costs you incur when running the business.

Costs you can claim immediately

You can deduct the following expenses when you incur them:

- costs to establish and tend a tree plantation, including
  - costs of seedlings and plants
  - expenses which relate to the planting process, such as deep ripping, mound ploughing, raking, levelling and weed control
  - watering and fertilising costs
  - capital costs of installing dams, sprinkler systems and fences (boundary or internal)
  - firebreak and track maintenance
  - costs of shooting or baiting feral animals
  - forest health surveys and consultant advice
  - felling and transport costs related to diseased trees or thinning operations
- costs to fell and transport timber for sale.

Initial expenses for clearing or preparing the land for planting – such as costs incurred in the initial pushing out and windrowing of stumps and debris – are not deductible as they are capital expenses. However, these costs are deductible after the first harvest for subsequent plantings on that land.

Costs you claim when you fell trees for sale

When you fell the trees for sale (including by thinning) or when someone else fells them and you receive a royalty, you can deduct the following expenses:

- purchase price paid to acquire a plantation or forest
- value of existing trees introduced into a new business (for example, when your farm land has a native forest and you later decide to tend the trees for future felling and sale).

The amount you can deduct is the proportion of the purchase cost that reasonably relates to the actual trees felled (but not including the cost of the land). For existing trees you apportion the market value of the trees when you started carrying on the forestry business.

Example: claiming a deduction

David purchased a plantation for $100,000. The purchase price included the trees, which were valued at $50,000.

In a later year David felled half the trees for sale. This means he can claim a deduction of $25,000 at the end of that year.

You must be able to identify the part of the purchase price that relates to the trees at the time you purchase the plantation or forest. You should obtain documentary evidence to support this, for example, a valuation provided by the seller or by having the amount specifically stated in the contract.

For more information, see Taxation Determination **TD 96/8** *Income tax: how do you determine the market value of mature trees acquired and used for non-forest operations, but later ventured into a new business, as contemplated by paragraph 45 of Taxation Ruling TR 95/6?*

Other capital expenses

You can claim a depreciation (decline in value) deduction for capital items such as:

- specialised forestry equipment
- tractors
- vehicles

- the cost of construction of an access road.

You may be able to claim an immediate deduction for these expenses. To find out if you're eligible and for more information, visit **Depreciation and capital expenses and allowances**.

If you are not carrying on a tree farming business

Even if you are not carrying on a tree farming business, you must still declare the following sources of income:

- proceeds from the sale of standing timber
- royalties received from granting rights to others to fell and remove timber.

You will be able to claim a deduction for the cost of the trees, see Costs you claim when you fell trees for sale.

QC 55514

Record keeping in the primary production industry

Records you need to keep for your daily business transactions if you are a primary producer.

Last updated 22 August 2025

Overview

You need to keep records for your daily business transactions, including income, expense and employee records. Your records must:

- explain all transactions
- be in writing

- be in English
- be kept for 5 years (although some records need to be kept longer).

For more information, see:

- **Managing your invoices, payments and records**
- **Record keeping evaluation tool**
- **Bartering and barter exchanges**

Primary producers have the same record keeping obligations as businesses. However, there are some special considerations for primary producers.

Commercial fishing industry joint ventures

Some owners and skippers engaged in commercial fishing are eligible to form a joint venture for GST purposes. It is unlikely that crew members will meet the requirement for joint venture membership. You are required to obtain approval from us to operate a GST joint venture.

Only the GST joint venture operator pays GST and claims any credits. To ensure activity statements are accurate, other members of the venture must keep accurate records of their income and expenses for the operator to use.

Joint ventures are complex business arrangements and we recommend you seek professional advice when deciding if you should be part of a joint venture.

Farm management deposits scheme

If you are using a **Farm management deposits scheme** you will need to keep records showing the:

- amounts and dates the deposits and withdrawals were made
- amounts of tax deductions previously claimed.

Fuel tax credits

To support **fuel tax credit** claims, you must keep records showing the:

- type and quantity of fuel you acquired

- date you acquired the fuel
- business activities you use the fuel for (for example, travelling on a public road or in other activities)
- **calculations of your fuel tax credits**.

See **Working out your fuel tax credits** for more information.

You must have records that show the activities of your business that support your actual claim.

Records that show your business activities include:

- business expenses that relate to eligible activities
- sales and production records
- lease documents for agricultural land or equipment
- share-farming contracts
- vehicle and equipment use and maintenance records.

Records that support your claims for fuel tax credits include:

- tax invoices for fuel you have acquired, including when it was acquired and the quantity
- bank statements
- records of how you used the fuel and any that was lost, stolen or otherwise disposed of
- records showing how you have worked out your fuel tax credits.

For heavy diesel vehicles manufactured before 1 January 1996 and **used for travelling on a public road**, your records must show you meet one of the environmental criteria to be eligible for fuel tax credits.

If you use farm vehicles mainly on an agricultural property to carry on a primary production business, you do **not** have to meet the criteria.

Fuel tax credits you received for your business activities are **assessable income** and need to be included in your tax return.

Trading stock

You can choose to value trading stock at cost, market-selling value or replacement value. It is important to maintain up to date records showing how you value your stock. This is so you can report any profits or losses correctly, because there are many concessions available to primary producers. These include:

- wool growers that defer profits on the sale of a wool clip from an advanced shearing caused by drought, fire or flood
- insurance recoveries for loss of livestock may be included in assessable income in equal instalments over 5 years
- profit from forced disposal or death of livestock may be spread over 5 years (10 years if the forced disposal was for the control of bovine tuberculosis).

Stock killed for rations or exchanged for goods and services will be treated as if you disposed of the stock at cost and will be treated as assessable income.

For more information, see:

- the prescribed costs assigned to the **natural increase** of certain animals
- **Oyster farmers** for how to account for oysters as trading stock

Wine equalisation tax

You need to keep records of your sales, **own use**, and import and export transactions so you can:

- accurately report your **wine equalisation tax** (WET) payable
- substantiate any credits you claim.

If you're claiming the producer rebate you need to keep records showing that you produced the wine and meet the ownership of source product, packaging, and branding requirements that apply.

You need to keep these records for 5 years.

For more information, see **Record keeping for business.**

QC 17530

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.