



PARLIAMENT OF AUSTRALIA
HOUSE OF REPRESENTATIVES

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MEDIA RELEASE

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Breakthrough in Tax debate on water compensation payments

Independent member for New England, Tony Windsor has renewed his calls for the Federal Government to treat compensation for the loss of water entitlements to groundwater users under the capital gains tax regime rather than as income following a Tax office ruling for the timber industry.

“I have received advice from one of the timber mills involved in the Brigalow compensation package that contrary to their initial advice that compensation to their industry would be treated as income and taxed under the income tax assessment provisions, they have now received a Tax Office ruling suggesting that the compensation payments would not be assessed as income but under the capital gains tax arrangements.

This lends enormous weight to the water entitlement holders who have been battling with the Federal Government and the ATO for such a ruling for their similar compensation payments,” Mr Windsor said.

It was the Prime Minister John Howard who along with the then NSW State Premier Bob Carr announced the \$160m Achieving Sustainable Groundwater package on June 9, 2005 with both the Federal and State Governments contributing \$55m each and the groundwater licence holders making a “significant contribution of \$50m”.

The Prime Minister also stated at the time of his announcement “You can’t ask farmers to take the financial hit of the investment in the changed practices without some help from the Government.”

Mr Windsor says precedents to treat water compensation payments under the capital gains tax regime are now lining up.

“The latest ruling by the ATO on the Brigalow timber industry compensation payments and the ‘Securing our Fishing Future’ compensation package announced in early June this year set strong precedents for the same treatment of payments made to groundwater users through the ‘Achieving Sustainable Groundwater Entitlements’ package under the capital gains tax regime and not the income tax regime.

All three packages have been set up to achieve sustainability in their respective industries.

As time is now dragging on for a decision on the tax treatment of the ASGE package, I again call on the Prime Minister and his Parliamentary Secretary with responsibility for water issues, Malcolm Turnbull to announce their decision for the groundwater users of NSW so that they can get on with their business and their lives.

You can’t make fish (and timber) of one, and water of another when all should be treated the same,” Mr Windsor said.

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