

EXPLANATORY STATEMENT

Issued by the Authority of the Minister for Climate Change and Water

Income Tax Assessment Act 1997

Guidelines about environmental and natural resource management in relation to the establishment of trees for the purposes of carbon sequestration

Subdivision 40-J of the *Income Tax Assessment Act 1997* (the Act) provides a deduction for capital expenditure for the establishment of trees in carbon sink forests.

Subparagraph 40-1010(1)(h)(i) of the Act provides that expenditure on establishing trees in carbon sink forests is covered if a taxpayer gives the Commissioner of Taxation a statement that sets out all information necessary to determine whether all of the conditions in subsection 40-1010(2) of the Act are satisfied. The conditions set out in subsection 40-1010(2) include a condition that the establishment of the trees meets the requirements of the guidelines in subsection 40-1010(3).

Subsection 40-1010(3) of the Act provides that the Climate Change Minister must, by legislative instrument, make guidelines about environmental and natural resource management in relation to the establishment of trees for the purposes of carbon sequestration (the guidelines).

The purpose of this instrument is to make the guidelines for the purposes of subsection 40-1010(3) of the Act.

Relevant businesses and organisations (representing carbon sink forest growers and the taxation and accounting professions) were consulted during the development of this instrument. Consultation on this instrument included an initial briefing session with invited stakeholders and those who indicated an interest. Stakeholders were provided with a copy of the draft guidelines and an opportunity to submit comments on the draft guidelines. Discussions also took place with stakeholders on significant matters raised in their submissions.

This instrument is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

This amended legislative instrument updates the principal legislative instrument that was registered on the Federal Register of Legislative Instruments on 3 July 2008.

This instrument commenced the day after it was registered on the Federal Register of Legislative Instruments.