


# ***MT 2012/2A3 - Addendum - Miscellaneous taxes: application of the income tax and GST laws to deferred transfer farm-out arrangements***

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# Addendum

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## Miscellaneous Taxation Ruling

### Miscellaneous taxes: application of the income tax and GST laws to deferred transfer farm-out arrangements

This Addendum is a public ruling for the purposes of the *Taxation Administration Act 1953*. It amends Miscellaneous Taxation Ruling MT 2012/2 to update references to legislative instruments and address accessibility issues.

MT 2012/2 is amended as follows:

**1. Paragraph 13**

- (a) Omit the heading; substitute 'Class of arrangement or scheme'.
- (b) Before the table, insert a table caption:

Table 1: Deferred transfer farm-out arrangements to which this Ruling applies

**2. Paragraph 35**

In footnote 20, omit 'GSTR 2001/6: non-monetary consideration', insert 'GSTR 2001/6 *Goods and services tax: non-monetary consideration*'.

**3. Paragraph 86**

- (a) Omit '*A New Tax System (Goods and Services Tax) (Particular Attribution Rules Where Total Consideration Not Known) Determination (No. 1) 2000*'; substitute '*Goods and Services Tax: Particular Attribution Rules Where Total Consideration Not Known Determination 2017*'.
- (b) Omit the wording of footnote 52; substitute:

This legislative instrument (registration number: F2017L00425) is available on the Federal Register of Legislation and replicated at <https://ato.gov.au/law/view/document?DocID=GLD/PAR20178/00001&PiT=99991231235958>.

**4. Paragraph 88**

- (a) Omit '*A New Tax System (Particular Attribution Rules Where Supply or Acquisition Made Under a Contract Subject to Preconditions) Determination 2012*'; substitute '*A New Tax System (Goods and Services Tax) Attribution Rules for Deferred Transfer Farm-out Arrangements Determination 2022*'.

- (b) Omit the wording of footnote 53; substitute:

This legislative instrument (registration number: F2022L01265) is available on the Federal Register of Legislation and replicated at <https://ato.gov.au/law/view/document?DocID=OPS/LI202232/00001&PiT=99991231235958>.

#### 5. Paragraph 98

Before the table, insert a caption:

Table 2: Outcome from Example 1 for the Farmor

#### 6. Paragraph 104

Omit 'A New Tax System (Particular Attribution Rules Where Supply or Acquisition Made Under a Contract Subject to Preconditions) Determination 2012'; substitute 'A New Tax System (Goods and Services Tax) Attribution Rules for Deferred Transfer Farm-out Arrangements Determination 2022'.

#### 7. Paragraph 108

Before the table, insert a caption:

Table 3: Outcome from Example 1 for the Farmee

#### 8. Paragraph 117

- (a) Omit '1 and 2 that follow'; substitute '4 to 9 that follow. All legislative references in these tables are to the ITAA 1997 unless otherwise stated and all amounts are GST-exclusive'.

- (b) Omit tables 1 and 2, including the table captions and footnotes; substitute:

Table 4: Income tax consequences – Farmor Co – upon entry into the agreement and before the right to acquire the interest in the mining tenement is exercised

Event	Assessable or deductible	Timing
1 – Farmor Co grants Farmee Co the right to acquire a 60% interest in the mining tenement for a payment of \$1,000.	\$1,000 – subsection 102-5(1) CGT event D2 happens under section 104-40. Capital gain equals \$1,000. <sup>69A</sup> (See paragraphs 39 and 40 of this Ruling.)	When the farm-out agreement is entered into.

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
2 – Farmor Co grants Farmee Co exclusive use and access rights for a payment of \$70,000 and further payments of up to \$100,000.	\$70,000 + up to \$100,000 – section 6-5 The receipt of the payments is treated on revenue account and is assessable under section 6-5. (See paragraph 43 of this Ruling)	<ul style="list-style-type: none"> <li>• payment of \$70,000 – when the farm-out agreement is entered into</li> <li>• further payments of up to \$100,000 – as and when the income is derived</li> </ul>
3 – Expenditure is incurred by Farmor Co as holder of the mining tenement for fees, rents, rates and other outgoings relating to the maintenance of the mining tenement (effectively met by Farmee Co as part of the farm-out arrangement).	Up to (\$100,000) – section 8-1 (See paragraph 45 of this Ruling.)	When the expenditure is incurred.
Summary of events 1 to 3	Net capital gain = \$1,000 Net revenue income = \$70,000	Not applicable

Table 5: Income tax consequences – Farmor Co – upon transfer of the interest in the mining tenement

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
4 – Farmor Co transfers the 60% interest in the mining tenement as Farmee Co completes its earn-in obligations and exercises the right to acquire an interest in the mining tenement. Farmor Co receives an exploration benefit of \$499,000 and the \$1,000 cash payment in relation to the grant of the right. Any capital gain or capital loss made on the grant of the right (CGT event D2) is subsequently disregarded. (See paragraphs 57 and 58 of this Ruling.)	CGT outcome (\$1,000) reversal of the amount included in an earlier income year. (See paragraph 57 of this Ruling.) UCA outcome \$1,000 under table item 1 of paragraph 40-305(1)(b) \$499,000 under table item 4 of paragraph 40-305(1)(b) (See paragraphs 51 and 58 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement on the basis that Farmee Co begins to hold the interest at that time.

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
5 – Farmor Co expends the 60% interest in the mining tenement partly in return for the exploration benefit.	(\$499,000) –subsection 40-730(1) (See paragraphs 52 to 56 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement on the basis that Farmor Co has an obligation to transfer the interest at that time.
Summary of events 4 and 5	(\$1,000) amendment in relation to CGT event D2 in an earlier year \$1,000 – current year	Not applicable

- (c) In the first row of new Table 4, after ‘Capital gain equals \$1,000.’, insert new footnote 69A:

<sup>69A</sup> A capital gain is made that is equal to the capital proceeds (\$1,000) less the expenditure incurred in granting the right. This assumes that the expenditure incurred in granting the right is nil. Any capital gain made under CGT event D2 is subsequently disregarded to the extent that the right is exercised and the interest in the mining tenement is transferred to Farmee Co.

- (d) After the paragraph, insert new paragraphs 117A and 117B:

117A. Assume in Table 6 below that Farmee Co has spent \$345,000 of its \$1,150,000 and the pro-rata exploration benefit is \$100,000 in year 1 and \$50,000 in year 2<sup>69B</sup> over the 1.5 years that the agreement was on foot.

Table 6: Income tax consequences – Farmor Co – exploration benefit provided but no transfer of any interest in the mining tenement

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
6 – Farmee Co notifies Farmor Co that it is withdrawing from the agreement.	Non-cash business benefit \$100,000 in year 1. Non-cash business benefit \$50,000 in year 2. Otherwise, deductible amount is \$100,000 in year 1 and \$50,000 in year 2. Therefore, no amount to be included in Farmor Co’s assessable income. Section 21 and subsections 21A(1), 21A(2) and 21A(3) of the ITAA 1936. (See paragraphs 74 to 76 of this Ruling.) Note: The outcome from this event is the alternative outcome to the outcomes from events 4 and 5.	Not applicable

Table 7: Income tax consequences – Farmee Co – upon entry into the agreement and before the right to acquire the interest in the mining tenement is exercised

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
1 – Farmee Co acquires a CGT asset being the right to acquire the interest.	Cost base of \$1,000. (See paragraph 41 of this Ruling.) [If the \$1,000 is not deductible, capital loss under CGT event C2 equal to \$1,000 upon ending of the right.] (See paragraph 42 of this Ruling.)	When the farm-out agreement is entered into. [In the income year in which the right ends.]
2 – Farmee Co pays for the rights to exclusive use and access.	(\$70,000) + up to (\$100,000) – section 8-1 (See paragraph 46 of this Ruling.) [If the \$170,000 is not deductible, capital loss under CGT event C2 equal to \$170,000 upon ending of the rights.] (See paragraph 47 of this Ruling.)	When the expenditure is incurred.  [In the income year in which the rights end.]
Summary of events 1 and 2	(\$170,000) [Capital loss of \$171,000 upon ending of both rights if \$171,000 is not deductible.]	Not applicable

Table 8: Income tax consequences – Farmee Co – transfer of the interest in the mining tenement

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
3 – Farmee Co has already made a cash payment of \$1,000 for the right to acquire the interest. Farmee Co also provides an exploration benefit of \$499,000 to Farmor Co in return for Farmor Co transferring a 60% interest in the mining tenement to Farmee Co.	(\$1,000) under table item 1 of paragraph 40-185(1)(b) (\$499,000) under table item 4 of paragraph 40-185(1)(b) \$500,000 is the first element of cost of the interest in the mining tenement and immediately deductible if Farmee Co's 60% interest is first used for exploration or prospecting: subsections 40-25(1) and 40-80(1) (See paragraphs 64 to 68 of this Ruling.)	When Farmee Co's 60% interest in the mining tenement is first used for exploration or prospecting if it is immediately deductible. Alternatively, when the interest in the mining tenement starts to decline in value under subsection 40-25(1). (See paragraphs 65 to 68 of this Ruling.)

**MT 2012/2**

4 – Farmee Co provides an exploration benefit (on revenue account) to Farmor Co for which Farmee Co earns part of its 60% interest in the mining tenement.	\$499,000 – section 6-5 \$499,000 of the interest in the mining tenement earned by Farmee Co is attributable to its provision of the exploration benefit. (See paragraphs 70 and 71 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement.
5 – Farmee Co incurs exploration expenditure in the course of undertaking the exploration it committed to under the agreement.	(\$1,150,000) subsection 40-730(1) or section 8-1 (See paragraphs 69 and 72 of this Ruling.)	When the expenditure is incurred.
Summary of events 3 to 5	(\$1,151,000)	Not applicable

117B. Assume for the purposes of Table 9 below that Farmee Co has spent \$345,000 of its \$1,150,000 and the pro-rata exploration benefit is \$100,000 in year 1 and \$50,000 in year 2<sup>69C</sup> over the 1.5 years that the agreement was on foot.

Table 9: Income tax consequences– Farmee Co – exploration benefit provided but no transfer of any interest in the mining tenement

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
6 – Farmee Co incurs exploration expenditure while the agreement is on foot.	(\$345,000) subsection 40-730(1) or section 8-1 (See paragraphs 77 to 79 of this Ruling.)	When the expenditure is incurred.
7 – Farmee Co's right to acquire the interest ends.	(\$1,000) Capital loss under CGT event C2 equal to capital proceeds of zero less cost base of \$1,000 upon ending of the right. <sup>69D</sup> (See paragraph 42 of this Ruling.)	In the income year in which the right ends.
Summary of events 6 to 7	(\$345,000) allowable deduction (\$1,000) capital loss Note: The outcomes from events 6 and 7 are the alternative outcomes to the outcomes from events 3, 4 and 5.	Not applicable

(e) In paragraph 117A, after '\$50,000 in year 2', insert new footnote 69B:

<sup>69B</sup> For example, a pro-rata of  $\$345,000 \div \$1,150,000 \times \$500,000 = \$150,000$ .

(f) In new paragraph 117B, after '\$50,000 in year 2', insert new footnote 69C:

<sup>69C</sup> For example, a pro-rata of  $\$345,000 \div \$1,150,000 \times \$500,000 = \$150,000$ .

- (g) In the third row of Table 9, after 'upon ending of the right.', insert new footnote 69D:  
<sup>69D</sup> This reflects the outcome in event 1 where the \$1,000 is not deductible.

**9. Paragraph 118**

- (a) Omit 'summarised in Table 3 that follows'; substitute 'summarised in Tables 10 to 12 that follow'.
- (b) Omit Table 3, including caption and footnotes; substitute:

Table 10: GST outcomes for Farmer Co and Farmee Co – upon entry into the agreement and before the right to acquire the interest in the mining tenement is exercised

<b>Event</b>	<b>GST payable or input tax credits (ITCs)</b>	<b>Attribution to a tax period (non-cash basis)</b>
1 – Farmor Co makes a taxable supply of the right to acquire an interest in the mining tenement.	GST payable of \$100 (\$1,000 × 10% = \$100; GST-inclusive price of \$1,100) (See paragraphs 83 to 86 of this Ruling.)	When an invoice is issued or any of the consideration is received, whichever is earlier.
2 – Farmor makes a taxable supply of the exclusive use and access rights.	GST payable of \$7,000 + up to \$10,000 (\$70,000 × 10% = \$7,000; GST-inclusive price of \$77,000) (\$100,000 × 10% = \$10,000; GST-inclusive price of \$110,000) (See paragraphs 83 to 86 of this Ruling.)	When an invoice is issued or any of the consideration is received, whichever is earlier; or according to the legislative determination if total consideration is not known ( <i>Goods and Services Tax: Particular Attribution Rules Where Total Consideration is Not Known Determination 2017</i> ).
3 – Farmee Co makes a creditable acquisition of the right (option) to acquire an interest in the mining tenement.	ITC entitlement of \$100 (one-eleventh of \$1,100 GST-inclusive) (See paragraphs 83 to 86 of this Ruling.)	When an invoice is issued or any of the consideration is provided, whichever is earlier.
4 – Farmee Co makes a creditable acquisition of exclusive use and access rights.	ITCs claimable of \$7,000 + up to \$10,000 one-eleventh of \$77,000 GST-inclusive) + up to (one-eleventh of \$110,000 GST-inclusive) (See paragraphs 83 to 86 of this Ruling.)	When an invoice is issued or any of the consideration is provided, whichever is earlier; or according to the legislative determination if total consideration is not known ( <i>Goods and Services Tax: Particular Attribution Rules Where Total Consideration is Not Known Determination 2017</i> ). Farmee Co must also hold a tax invoice.



Table 11: GST outcomes for Farmer Co and Farmee Co – transfer of the interest in the mining tenement

<b>Event</b>	<b>GST payable or input tax credits (ITCs)</b>	<b>Attribution to a tax period (non-cash basis)</b>
5 – Farmor Co makes a taxable supply of the interest in the mining tenement (additional consideration <sup>71A</sup> is the exploration benefit).	GST payable of \$49,900 (\$499,000 × 10% = \$49,900; GST-inclusive price of \$548,900) (See paragraphs 87 to 90 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement. See Determination mentioned at paragraph 88 of this Ruling.
6 – Farmor Co makes a creditable acquisition of the exploration benefit (consideration is the interest in the mining tenement).	ITC entitlement of \$49,900 (one-eleventh of \$548,900 GST-inclusive) (See paragraphs 91 to 94 of this Ruling.)	When an invoice is issued or any of the consideration is provided, whichever is earlier. Farmor Co must also hold a tax invoice.
7 – Farmee Co makes a taxable supply of the exploration benefit to Farmor co.	GST payable of \$49,900 (\$499,000 × 10% = \$49,900; GST-inclusive price of \$548,900) (See paragraphs 99 to 102 of this Ruling.)	When an invoice is issued or any of the consideration is received, whichever is earlier.
8 – Farmee Co makes a creditable acquisition of the interest in the mining tenement (consideration is the exploration benefit).	ITC entitlement of \$49,900 (one-eleventh of \$548,900 GST-inclusive) (See paragraphs 103 to 107 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement and holds a tax invoice. See Determination mentioned at paragraph 104 of this Ruling.
Summary	Farmor Co: <ul style="list-style-type: none"> <li>• GST payable of \$7,100 and up to \$10,000</li> <li>• may also be GST payable of \$49,900 and entitled to an ITC of \$49,900</li> </ul> Farmee Co: <ul style="list-style-type: none"> <li>• entitled to ITCs of \$7,100 and up to \$10,000.</li> <li>• may also be entitled to an ITC of \$49,900 and have GST payable of \$49,900</li> </ul>	Not applicable

(c) In Table 11, in the first row, after 'additional consideration', insert new footnote 71A:

<sup>71A</sup> Subsection 9-17(1) of the GST Act.

(d) After the paragraph, insert new paragraph 118A:

118A. Assume for the purposes of Table 12 below that Farmee Co has spent \$345,000 of its \$1,150,000 and the pro-rata exploration benefit is \$150,000<sup>71B</sup> (approximately) over the 1.5 years that the agreement was on foot.

Table 12: GST outcomes for Farmer Co and Farmee Co – exploration benefit provided but no transfer of any interest in the mining tenement.

Event	GST payable or input tax credits (ITCs)	Attribution to a tax period (non-cash basis)
9 – Farmor Co does not transfer a 60% interest in the mining tenement to Farmee Co.	Farmor Co: No further GST consequences as there is no supply of the interest in the mining tenement by Farmor Co. Farmee Co: No further GST consequences as there is no acquisition of the interest in the mining tenement. (See paragraphs 109 and 110 of this Ruling.)	Not applicable

- (e) After ‘exploration benefit is \$150,000’ in new paragraph 118A, insert new footnote 71B:

<sup>71B</sup> For example, a pro-rata of  $\$345,000 \div \$1,150,000 \times \$500,000 = \$150,000$ .

#### 10. Paragraph 121

- (a) Omit ‘Tables 4 and 5 that follow.’; substitute ‘Tables 13 to 18 that follow. All legislative references in these tables are to the ITAA 1997 and all amounts are GST-exclusive.’
- (b) Omit Table 4, including caption and footnote; substitute:

Table 13: Income tax consequences – Farmor Co – upon entry into the agreement and before the right to acquire any interest in the mining tenement is exercised

Event	Assessable or deductible	Timing
1 – Farmor Co grants Farmee Co the right to acquire up to a 60% interest for a payment of \$1,000.	\$1,000 – subsection 102-5(1) CGT event D2 happens under section 104-40. Capital gain equals \$1,000. <sup>73A</sup> (See paragraphs 39 and 40 of this Ruling.)	When the farm-out agreement is entered into.

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
2 – Farmor Co grants Farmee Co exclusive use and access rights for a payment of \$70,000 and further payments of up to \$100,000.	\$70,000 + up to \$100,000 – section 6-5 The receipt of the payments is treated on revenue account and is assessable under section 6-5. (See paragraph 43 of this Ruling.)	\$70,000 – when the farm-out agreement is entered into. Up to \$100,000 – as and when the income is derived.
3 – Expenditure is incurred by Farmor Co as holder of the tenement for fees, rents, rates and other outgoings relating to the maintenance of the tenement (effectively met by Farmee Co as part of the farm-out agreement).	Up to (\$100,000) – section 8-1 (See paragraph 45 of this Ruling.)	When the expenditure is incurred.
Summary of events 1 to 3	Net capital gain = \$1,000 Net revenue income = \$70,000	Not applicable

Table 14: Income tax consequences – Farmor Co – transfer of the first tranche 30% interest in the mining tenement

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
4 – Farmor Co transfers the first tranche 30% interest in the mining tenement as Farmee Co completes the first tranche earn-in obligations and exercises the right to acquire that tranche. Farmor Co receives an exploration benefit and cash payment in relation to the grant of the right, proportionate to the percentage interest transferred (that is, 50% of the total interest to potentially be transferred). Any capital gain or capital loss made on the grant of the right (CGT event D2) is subsequently disregarded. (See paragraphs 57 and 58 of this Ruling).	CGT outcome (\$500) reversal of the amount included in an earlier income year (See paragraph 57 of this Ruling.) UCA outcome \$500 under table item 1 of paragraph 40-305(1)(b) \$249,500 under table item 4 of paragraph 40-305(1)(b). (See paragraphs 51 and 58 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement for the first tranche on the basis that Farmee Co begins to hold the interest at that time.

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
5 – Farmor Co expends the first tranche 30% interest in the mining tenement partly in return for the proportionate share of the exploration benefit relating to that 30% interest.	(\$249,500) subsection 40730(1) (See paragraphs 52 to 56 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement for the first tranche on the basis that Farmor Co has an obligation to transfer the interest at that time.
Summary of events 4 and 5	(\$500) amendment in relation to CGT event D2 in an earlier year \$500 – current year	Not applicable

Table 15: Income tax consequences – Farmor Co – transfer of the second tranche 30% interest in the mining tenement

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
6 – Farmor Co transfers the second tranche 30% interest in the mining tenement as Farmee Co completes the second tranche earn-in obligations and exercises the right to acquire that tranche. Farmor Co receives the remaining proportionate share of the exploration benefit and cash payment in relation to the grant of the right. The CGT consequences are as for event 4.	CGT outcome (\$500) reversal of the amount included in an earlier income year (See paragraph 57 of this Ruling.) UCA outcome \$500 under table item 1 of paragraph 40-305(1)(b) \$249,500 under table item 4 of paragraph 40-305(1)(b). (See paragraphs 51 and 58 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement for the second tranche on the basis that Farmee Co begins to hold the interest at that time.
7 – Farmor Co expends the second tranche 30% interest in the mining tenement partly in return for the proportionate share of the exploration benefit relating to that 30% interest.	(\$249,500) subsection 40-730(1) (See paragraphs 52 to 56 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement for the second tranche on the basis that Farmor Co has an obligation to transfer the interest at that time.
Summary of events 6 and 7	(\$500) amendment in relation to CGT event D2 in an earlier year \$500 – current year	Not applicable

Table 16: Income tax consequences – Farmee Co – upon entry into the agreement and before the right to acquire any interest in the mining tenement is exercised

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
1 – Farmee Co acquires a CGT asset being the right to acquire up to a 60% interest.	Cost base of \$1,000 (see paragraph 41 of this Ruling) [If the \$1,000 is not deductible, capital loss under CGT event C2 equal to \$1,000 upon ending of the right] (See paragraph 42 of this Ruling.)	When the farm-out agreement is entered into. [In the income year in which the right ends.]
2 – Farmee Co pays for the rights to exclusive use and access.	(\$70,000) + up to (\$100,000) section 8-1 (See paragraph 46 of this Ruling.) [If the \$170,000 is not deductible, capital loss under CGT event C2 equal to \$170,000 upon ending of the rights.] (See paragraph 47 of this Ruling.)	When the expenditure is incurred.  [In the income year in which the rights end.]
Summary	(\$170,000) [Capital loss of \$171,000 upon ending of both rights if \$171,000 is not deductible.]	Not applicable

Table 17: Income tax consequences – Farmee Co – transfer of the first tranche 30% interest in the mining tenement

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
3 – Farmee Co completes the first tranche earn-in obligations and exercises the right to acquire that tranche. The exploration benefit and cash payment is proportionate to the percentage interest transferred.	(\$500) under table item 1 of paragraph 40-185(1)(b) (\$249,500) under table item 4 of paragraph 40-185(1)(b) \$250,000 is the first element of cost of the interest in the mining tenement and immediately deductible if Farmee Co's 30% interest is first used for exploration or prospecting: subsections 40-25(1) and 40-80(1) (See paragraphs 64 to 68 of this Ruling.)	When Farmee Co's 30% interest in the mining tenement is first used for exploration or prospecting if it is immediately deductible. Alternatively, when the interest in the mining tenement starts to decline in value under subsection 40-25(1). (See paragraphs 65 to 68 of this Ruling.)
4 – Farmee Co provides an exploration benefit (on revenue account) to Farmor Co for which Farmee Co earns its first 30% interest in the mining tenement.	\$249,500 Section 6-5. \$249,500 of the interest in the mining tenement earned by Farmee Co is attributable to its provision of the exploration benefit. (See paragraphs 70 and 71 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement.

Table 18: Income tax consequences – Farmee Co – transfer of the second tranche 30% interest in the mining tenement

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
5 – Farmee Co completes the second tranche earn-in obligations and exercises the right to acquire that tranche. The exploration benefit and cash payment is proportionate to the percentage interest transferred.	(\$500) under table item 1 of paragraph 40-185(1)(b) (\$249,500) under table item 4 of paragraph 40-185(1)(b) \$250,000 is the first element of cost of the interest in the mining tenement and immediately deductible if Farmee Co's 30% interest is first used for exploration or prospecting: subsections 40-25(1) and 40-80(1) (See paragraphs 64 to 68 of this Ruling.)	When Farmee Co's 30% interest in the mining tenement is first used for exploration or prospecting if it is immediately deductible. Alternatively, when the interest in the mining tenement starts to decline in value under subsection 40-25(1). (See paragraphs 65 to 68 of this Ruling.)

<b>Event</b>	<b>Assessable or deductible</b>	<b>Timing</b>
6 – Farmee Co provides an exploration benefit (on revenue account) to Farmor Co for which Farmee Co earns its second 30% interest in the mining tenement.	\$249,500 section 6-5 \$249,500 of the interest in the mining tenement earned by Farmee Co is attributable to its provision of the exploration benefit. (See paragraphs 70 and 71 of this Ruling.)	When Farmee Co exercises the right to acquire the interest in the mining tenement. (See paragraph 71 of this Ruling.)
7 – Farmee Co incurs exploration expenditure in the course of undertaking the exploration it committed to under the agreement.	(\$1,650,000) subsection 40-730(1) or section 8-1 (See paragraphs 69 and 72 of this Ruling.)	As and when the expenditure is incurred.
Summary	(\$1,651,000)	Not applicable

- (c) In Table 13, in the first row, after 'Capital gain equals \$1,000.', insert new footnote 73A:

<sup>73A</sup> A capital gain is made that is equal to the capital proceeds (\$1,000) less the expenditure incurred in granting the right. This assumes that the expenditure incurred in granting the right is nil. Any capital gain made under CGT event D2 is subsequently disregarded to the extent that the right is exercised and the interest in the mining tenement is transferred to Farmee Co.

#### **11. Paragraph 122**

Omit (Table 3, paragraph 118).

#### **12. Paragraph 142**

In footnote 78, omit 'Goods and Services Tax Ruling GSTR 2001/6: non-monetary consideration'; substitute 'GSTR 2001/6'.

#### **13. Paragraph 152**

In footnote 82, omit 'Goods and Services Tax Ruling'.

#### **14. Paragraph 176**

- (a) In the Detailed contents list, omit the following entries:

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(b) In the Detailed contents list, insert the following entries:	
Class of arrangement or scheme	13
(iii) The provision of the exploration benefit by the farmee and the transfer of an interest in the mining tenement by the farmor	48

This Addendum applies from before and after its date of issue, subject to the commencement and application provisions of each amending Act or Regulation to which it refers.

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### **Commissioner of Taxation**

20 November 2024

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#### ATO references

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