

Landcare and similar expenses for primary producers

Can you claim a tax deduction? What you need to know.

This fact sheet explains your entitlement to claim income tax deductions for capital costs you incur on landcare, riparian and similar operations.

This fact sheet only applies if you are carrying on a primary production business on land in Australia. If you are not carrying on a primary production business, for example if you are a hobby farmer, you generally cannot claim for the expenses described in this fact sheet.

Capital costs or revenue costs

This fact sheet concerns special deductions that are available for various capital costs. Capital costs are costs that provide a lasting benefit and are otherwise not usually deductible. If your expenses are revenue expenses (that is, normal business operating expenses), these expenses are deductible anyway under the normal deduction provisions.

For example, if you spend money on clearing bushland and exterminating pests and weeds so that you can use the land to grow crops, it is a capital expense (because it will provide the lasting benefit of enabling you to use the land to grow crops). Once you are using the land to grow crops, subsequent expenses on pest and weed control are revenue expenses because they are normal business operating expenses.

A table on page 3 of this fact sheet summarises your entitlement to various landcare related deductions.

Landcare operations

You can claim an immediate deduction for capital expenses you incur on a landcare operation on your primary production land. This concession is directed at productive farm land.

A landcare operation is an operation you conduct mainly for the purpose of:

- eradicating or exterminating animal pests from the land
- eradicating, exterminating or destroying plant growth detrimental to the land
- preventing or combating land degradation.

The following are also landcare operations:

- constructing drainage works mainly for the purpose of controlling salinity or assisting in drainage control
- constructing a levee or similar improvement
- constructing a structural improvement that is reasonably incidental to a levee or drainage works (such as a bridge over drainage works)
- alterations, extensions or capital repairs to the above.

Riparian management works

Riparian management works refers to works to stabilise and protect the banks and land adjacent to creeks, streams and other waterways. These works can include fencing, revegetation, off stream stock watering and weed/pest management.

The purpose of the landcare provisions is to assist with the conservation and long-term sustainable use of arable or grazing farmland. The provisions are not directed at the conservation of natural water resources.

This means you generally cannot claim the capital costs of riparian management works as a landcare operation unless the main purpose of the works is for the protection/preservation of arable or grazing farmland (rather than a main purpose of protecting/preserving the waterway). This 'purpose test' looks at the results produced from the expenditure, not your motives in incurring it. If you think this applies to your circumstances, you should write in for a private ruling.

But you can always claim a deduction if the riparian expenses are for water facilities or permanent fencing. You can also claim if the riparian expenses are revenue expenses (for example, maintenance expenses after initial capital expenses have been incurred).

Water facilities

You can claim an immediate deduction for the cost of all water facilities you use in your primary production business, including for the purposes of a landcare operation or riparian management works.

A water facility is:

- plant or a structural improvement that is mainly for the purpose of conserving or conveying water (for example, dams, tanks, bores or reticulation components)
- a structural improvement that is reasonably incidental to conserving or conveying water (for example, a culvert or a bridge over an irrigation channel)
- alterations, extensions or capital repairs to the above.

Fencing

You can claim an immediate deduction for the cost of all permanent fencing you install on land you use in a primary production business, including for the purposes of a landcare operation or riparian management works.

What you can claim

Weed control

You can claim the following expenses in relation to your arable or grazing farmland:

- capital expenses in eradicating woody weed or other detrimental plant growth from your primary production land
- related costs such as pest control and ripping/crushing/filling of rabbit warrens and fox dens
- the cost of fencing to keep animals out of land you are trying to rehabilitate
- the cost of reticulation systems related to revegetation activities.

You can only claim other revegetation expenses (such as plants and planting costs) if the revegetation is mainly for the purpose of preventing or combating land

degradation to arable or grazing land. Land degradation includes soil erosion, salination, decline of soil fertility or structure and degradation of vegetation.

Otherwise, you can add revegetation expenses to the cost base of the land for CGT purposes (this will reduce your capital gain if you sell the land).

Riparian management works

You can claim the cost of:

- fencing to keep livestock out of creeks or other waterways that run through your farmland
- off point water supply installations, including pumps, pipes and other components to get water into a trough from a waterway
- reticulation systems for riparian revegetation activities
- culverts.

You can claim a decline in value (depreciation) deduction for the cost of tracks and bridges across natural waterways based on their effective life (unlike the costs of bridges over drainage works and irrigation channels mentioned earlier which are immediately deductible).

You generally cannot claim a deduction for the following capital costs in relation to riparian management works - but you can add them to the cost base of the land for CGT purposes (this will reduce your capital gain if you sell the land):

- site preparation costs including initial weed and pest eradication and willow removal
- plants, planting and replanting costs
- consultant advice costs.

ATO view

Search ato.gov.au for:

[Landcare operations](#)

[Information for Primary Producers](#): NAT 1712

What if you need more information?

For a call back from an ATO officer, email TaxAdvice@ato.gov.au

If you wish to discuss your circumstances, call the ATO on 13 28 66.

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