

# Guideline

## Primary Production Land classification

### About the Primary Production Land classification

Land tax is not applied to a property classified as Primary Production Land (PPL). Under the provisions of the *Land Tax Act 2000*, to be eligible the land must meet the definition of one of four types of primary production activity – see *below*.

The owner of land that has a PPL classification as at 1 July in any year is not required to pay land tax on that land in that financial year.

The primary production activities on the property may be undertaken either by the owner of the land or by 'another person'. 'Another person' generally means someone leasing the land from the owner of the property or a family member undertaking the activity in their own right.

### What is primary production land?

Under the Act there are four categories of land that may be eligible to be classified as primary production land.

#### 1. Land used substantially for the business of primary production

The business of primary production is the carrying on of any of one or more of the following activities in a business-like manner with a reasonable expectation of profit:

- (a) cultivating land to sell the produce of the cultivation;
- (b) maintaining animals or poultry for sale or selling their natural increase or bodily produce;
- (c) keeping bees to sell their honey;
- (d) commercial fishing and cultivating aquatic plants or animals, including the preparation for fishing and the storage and preservation of fish and fishing gear; or
- (e) cultivating or propagating for sale plants, seedlings, mushrooms or orchids.

For an applicant's property to qualify for the classification, the Commissioner must be satisfied that all the following criteria have been met:

- the land must be used substantially for the business of primary production; and
- the business of primary production must be carried out in a business-like manner; and
- the business of primary production must be carried out with a reasonable expectation of profit.

The courts have developed questions that should be considered in determining whether a business of primary production is being carried out. These include:

- Is there more than an intention to engage in business?
- Is the activity carried on in a similar manner to other businesses in the industry?
- Is there a purpose of profit as well as a prospect of profit?
- Has the activity been conducted in a repetitive manner and on a regular basis?
- Has the activity been organised in a business-like and systematic manner?
- What is the size or scale of the activity?
- Is the activity a hobby or recreational pursuit?

Evidence of whether the primary production business is currently making a profit is established by the provision of income tax returns which show primary production income and a depreciation schedule. Alternatively, this criteria may be established by the provision of profit and loss statements and depreciation schedules.

If the primary production activity has recently been established and is not making a profit, a Business Plan and cash flow projections which illustrate that the activity will eventually be profitable are required. For example, if an orchard of fruit trees has been planted,

The expectation of profit needs to be based on grounds that are objectively reasonable. That is, a person not involved with the application needs to consider that, based on the information provided, there is a reasonable basis to conclude that the activity will return a profit.

## **2. Land declared a Private Timber Reserve under the *Forest Practices Act 1985***

Land declared as a Private Timber Reserve under section 11 of the [Forest Practices Act 1985](#) and advertised in the [Tasmanian Government Gazette](#) is eligible for the PPL classification.

## **3. Permanent timber production zone land**

Land declared as permanent timber production zone land within the meaning of the [Forest Management Act 2013](#); or

## **4. Land subject to a certified plan under the State Permanent Forest Estate**

Land that is subject to a forest practices plan certified by the Forest Practices Authority under section 19 of the [Forest Practices Act 1985](#) in accordance with the State Permanent Forest Estate Policy is eligible for PPL classification.

## **Partial use of land for primary production**

If land with a PPL classification is also used for purposes other than primary production purposes, land tax may be payable on the proportion of the land which is being used for other purposes.

## Change in land use

An owner of PPL land must notify the Commissioner within 30 days if the land, or part of the land, ceases to be used for primary production purposes. Please use one of the following options:

- [Notification of change in land use](#) form, available at [www.sro.tas.gov.au](http://www.sro.tas.gov.au); or
- Email [taxhelp@treasury.tas.gov.au](mailto:taxhelp@treasury.tas.gov.au).

## New owner of PPL classified land

If PPL land transfers to a new owner, the classification is removed by the State Revenue Office because the new owner may not use the property for primary production purposes. New owners must apply for the classification and demonstrate that the land continues to be used as primary production land.

## How to apply for a PPL classification

Use the [Primary production land application](#).

To ensure that an application can be fully and promptly considered by the State Revenue Office, it is recommended that all questions about land ownership and its use are answered as thoroughly as possible and that income tax returns, profit and loss statements or a business plan is provided.

## More information

Legislation: [Land Tax Act 2000](#)

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