



THE INSTITUTE OF FORESTERS OF AUSTRALIA &
AUSTRALIAN FOREST GROWERS

Committee Secretariat
Standing Committee on Agriculture and Water Resources
Timber Supply Chain Constraints
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

**Submission to the Australian Government's House Standing Committee on
Agriculture and Water Resources "Inquiry into timber supply chain constraints
in the Australian plantation sector".**

The Institute of Foresters of Australia (IFA) and Australian Forest Growers (AFG) welcomes the opportunity to provide input and guidance to the Standing Committee.

Re: The Inquiry terms of reference, "Opportunities to increase Australia's wood supply, including identifying and addressing barriers to plantation establishment".

RECOMMENDATION: That tax and superannuation regimes, policies and rulings that apply to private forestry need urgent government attention to:

- provide a stable, predictable and neutral tax environment that encourages private investment in forestry by any participant at any scale
- recognise and account for the 'period inequity' inherent in long-term private forestry *
- enhance the liquidity of long-term private forestry investment.

(NOTE: * 'Period inequity' in this context refers to where paying tax once on a lump sum (such as at final plantation harvest) at a high marginal tax rate is more than paying some tax each year at a lower rate on the same total sum received in annual instalments.)

Context

The IFA & AFG advocate for our grower members (previously members of Australian Forest Growers until our merger with IFA in 2019). Our submission is focussed principally on issues of importance to our Forest Grower members – mostly small-scale private forest growers.

The IFA & AFG considers that the lack of significant new farm forestry plantings over the last decade reflects in large part an urgent need for improved tax and superannuation regimes, policies and rulings that apply to private forestry. These constitute a significant barrier to farm forestry investment when the intermittent returns from plantation establishment are weighed up against alternative options offered by annual cropping or livestock management. If these concerns are not addressed, the Government's National Forest Industries Plan will fall well short of its planned target for an increase of 400,000 hectares of new plantation establishment to meet the expected shortfall in national total wood fibre demand. This will in turn be a missed opportunity to contribute to meeting government climate change targets for carbon sequestration.



THE INSTITUTE OF FORESTERS OF AUSTRALIA & AUSTRALIAN FOREST GROWERS

Background:

IFA & AFG – who we are

The Institute of Foresters of Australia (IFA) and Australian Forest Growers (AFG) is the independent professional body representing over 1000 members who are forest scientists, professionals and managers operating in all aspects of forest and natural resource management, including forest conservation, throughout Australia. It is an independent and apolitical voice advocating for the development and application of the science of Forestry for the best practice management of all of Australia's forests.

Forestry professionals, informed by the science of natural resource management, play a crucial role in shaping the future of forests, including plantation forests and farm forestry projects. We advocate balanced land use that meets society's needs for sustainable forest management, timber supply, and effective conservation outcomes.

The Institute of Foresters of Australia (founded 1935) and Australian Forest Growers (founded 1969) merged in early 2019. This new merged identity represents all segments of the forestry profession, including public and private practitioners and growers. Members are engaged in many aspects of forestry, nature conservation, resource and land management, research, administration and education.

Australian Forest Growers was founded to advocate for responsible establishment and management of plantations on agricultural land, which provide the multiple outcomes that the community increasingly demands. IFA & AFG continues this advocacy for the growing of commercial plantations and active management of private native forests on privately owned land by our members. They have been delivering improved landscape health outcomes for decades, as well as complementing existing productive agricultural land use practices. Our grower members are located in most corners of Australia and our membership ranges across a broad spectrum from large to small scale, managing both natural and planted forests.

Our forest grower members are united in the belief that growing and managing trees on private land for timber and other commercial purposes has a broad range of economic, environmental and social benefits for their own enterprises and for the local and wider community. AFG was established to promote this view, to provide support for those involved in commercial tree growing and to help develop effective policy to underpin these endeavours. IFA & AFG continues to promote this vision based on the sound practice of forest science as part of broadscale natural resource management.



THE INSTITUTE OF FORESTERS OF AUSTRALIA & AUSTRALIAN FOREST GROWERS

Explanatory Notes re tax and small-scale private forestry investment:

Unique among countries with substantial forest industries, Australia offers **NO** special incentives to private growers to establish, manage and harvest a plantation or to manage a native forest on private land. In this context, it is therefore vital to ensure that the universal tax entitlement to deduct legitimate business costs in the year of expenditure is never denied to private forest growers at any scale or in any forest management arrangement.

In similar vein, an appropriate prepayment rule must be retained in the tax treatment of growers in forestry managed investment schemes as a timing mechanism that recognises the complex and unique nature of plantation investment and that enables plantations to be established in seasonally optimal conditions to maximise early survival.

Sustained evidence-based representations and cooperation in the past three decades have led to substantial improvements in the tax treatment of private forestry. They have clarified confusions about tax liabilities and entitlements and removed impediments to participating in forestry as a complementary or alternative land use in suitable areas. Despite these moves to more equitable treatment of private forestry, several impediments remain in need of attention.

Tax Commissioner's discretion to deal with non-commercial losses in 'non-standard' forestry

IFA and AFG can work with the Australian Taxation Office to provide reliable reference material about the lead times to commerciality for less well-known tree species and silvicultural regimes, to enable the ATO to more easily assess such private forestry applications for the Commissioner's discretion under the non-commercial loss tax law.

Private forests for superannuation

IFA and AFG seeks Australian Government recognition that ensuring the tax rules applying to superannuation and biophysical self-generating assets, such as private forests, can help achieve the nation's retirement policy objectives.

IFA and AFG seeks to amend provisions in the superannuation regulatory regime that discriminate against private forest growers investing in forestry as all or part of their superannuation, in particular to:

- enable the tax system to correct for the 'lumpy returns' inherent in forestry income whereby a single forest harvest return is taxed at the grower's highest marginal tax rate
- enable the Farm Management Deposits scheme to accept deposits from partnerships and family companies, and to allow harvest returns to be retained in an Farm Management Deposit account for three years after retirement from primary production
- relax the currently strict conditions under which an established private forest can be transferred into a self-managed superannuation fund.



THE INSTITUTE OF FORESTERS OF AUSTRALIA &
AUSTRALIAN FOREST GROWERS

Making forestry a more liquid investment

Although growers in forestry managed investment schemes are legislatively entitled to trade an immature plantation after four years, the same does not yet apply to other private forest growers. The existence and operation of a secondary market in standing forest without tax penalty would help make investment in long-rotation forestry more attractive. A 'secondary market' provision – the capacity to trade a standing forest separate from the land it is growing on – applies equally to private owners of standing native forest.

The IFA & AFG would be pleased to provide further guidance to the Standing Committee, as required, specifically where it relates to opportunities and challenges associated with increasing wood supply from private forestry. We would be pleased to follow up with more information if requested and to be readily available to be called to provide testimony.

Yours sincerely

Dr Kevin J Harding
Vice-President and Chair of the Growers Committee
INSTITUTE OF FORESTERS OF AUSTRALIA and
AUSTRALIA FOREST GROWERS
