

Establishing **shelterbelts** on land used in a **primary production business**

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

This fact sheet explains your entitlement to claim an income tax deduction for the cost of establishing shelterbelts on land you use to carry on a primary production business.

A shelterbelt is a line of trees or shrubs planted to protect an area from fierce weather. They are often created on a farm to protect crops and livestock, reduce soil erosion, control salinity and improve biodiversity.

Whether you can claim a deduction will depend on the type of expense and the purpose of the shelterbelt.

You cannot claim a deduction for a shelterbelt created for a private purpose, such as to protect a home.

What kind of expenses can I claim?

If you create a shelterbelt for a primary production purpose, you can claim an immediate deduction for any new fencing and reticulation costs related to the shelterbelt.

You can only claim for expenses such as site preparation, chemicals and trees if the shelterbelt is established primarily and principally for the purpose of preventing or fighting land degradation.

If you recoup any of the expenditure that you can claim as a deduction (for example, under a government assistance program), that amount is included in your assessable income.

What is land degradation?

Land degradation is the process by which land deteriorates through the action of natural agents (such as water, wind and temperature), or as a result of land use or management practices.

Soil erosion and salination are examples of land degradation, as are harmful changes in soil structure such as acidity and compaction. Degradation of vegetation is also a component of land degradation.

What if I can't claim a deduction?

If the shelterbelt is not established primarily and principally for the purposes of preventing or fighting land degradation, you cannot claim a deduction for capital costs associated with site preparation or the planting of trees. Also, you cannot treat the trees as depreciating assets.

These expenses will form part of the cost base of the land for capital gains tax purposes.


Other deductions to check.

Replacing fencing around a shelterbelt that is established for any primary production purpose is fully deductible when using new components. We have comprehensive information on our website about fencing expenses. Search [Fencing and fodder storage assets](#) on [ato.gov.au](#).

Installing reticulation for a shelterbelt that is established for any primary production purpose is fully deductible when using new components. Reticulation includes items such as pipes, fittings, sprinklers, pumps and bores (and installation costs). We have comprehensive information on our website about reticulation expenses, which are included in what we call "water facilities". Search [Water facilities](#) on [ato.gov.au](#).

More information

For more information call the ATO on 13 28 66.

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

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