

2010 Summer Newsletter

Tax Office tightens repayment plan requirements



The Tax Office provides assistance to small business taxpayers that have problems meeting their tax obligations by offering to defer payments and offering payment instalments.

Under these arrangements the Tax Office requires the taxpayer to lodge all returns and activity statements by the due date, even if they cannot make the payment by the due date. This may prevent penalties and general interest charges being applied.

The Tax Office has now announced it will look at small business taxpayers with tax debts that continue to fail to meet these obligations.

The Tax Office has warned that it will check the viability of small businesses with a history of defaulted payment arrangements and small businesses that are unable to pay their instalments by direct debit.

Taxpayers with a history of defaulted payment arrangements might also need to provide an upfront payment as a condition of approval for further payment arrangements.

GST & the export of boats



The GST Act currently requires GST to be charged on the sale of boats even if their final purpose is to be exported.

Generally, when goods are exported, they are GST-Free i.e. no GST is charged on the exported goods provided they meet certain criteria.

The Assistant Treasurer's proposal will see changes to the GST Act to allow eligible boats to be sold within Australia GST free if:

- They are exported by the purchaser within 12 months; and
- They are only used for recreational purposes.

It is believed that the measures will make the boat building industry more competitive against overseas competitors by allowing these items to be sold GST free to foreign buyers.

Marriage breakdown: the CGT implications



A CGT 'marriage breakdown rollover' may be available where assets are transferred between spouses as a result of a marriage or de facto relationship break down.

Generally, the CGT implications of transferring an asset [or a share of a jointly owned asset] are as follows:

- The capital gain or loss on the transfer will be disregarded if the asset was acquired before September 20, 1985; or
- The marriage breakdown rollover will enable you to disregard any capital gain or capital loss you make on the transfer if the asset was acquired on or after September 20, 1985.

Where the asset [or a share of a jointly owned asset] is transferred to you, you are deemed to have acquired the asset before September 20, 1985, if your spouse acquired it before that date.

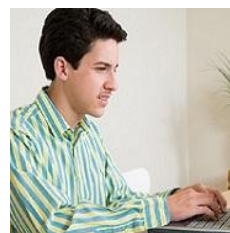
The capital gain or loss will, therefore, be disregarded when you eventually sell the asset.

If, however, the asset [or a share of a jointly owned asset] was acquired by your spouse on or after September 20, 1985, you are taken to have acquired the asset at the same time, and for the same price, as your spouse.

For the CGT marriage breakdown rollover to apply, the transfer of the asset must have happened because of:

- An order of a court;
- A financial agreement that is binding under the Family Law Act;
- An award made in an arbitration referred to in the Family Law Act; or
- A written agreement that is binding because of a state, territory or foreign law.

Taxpayer Alert! Don't be tempted to use trusts to access private company assets



The Tax Office has become aware of an arrangement whereby private companies invest money in unrelated trusts who in turn loan the money to the private shareholders.

This arrangement attempts to

bypass the provisions of Division 7A which are designed to capture loans made by private companies to their shareholders and associates by treating them as deemed dividends.

The Taxpayer alert warns taxpayers that such schemes are considered to be tax avoidance and may result in the Tax Office imposing substantial penalties on taxpayers who engage in the schemes.

Taxpayers who have engaged in the scheme are encouraged to seek a private ruling on their situation or make voluntary disclosure to be eligible for reduced penalties.

Had your identity stolen? The ATO can help



A raft of identity scams have been in circulation this tax season and many taxpayers may have had their tax details stolen and/or used by scammers to lodge fraudulent tax returns.

To assist taxpayers who have been caught up in the scams, the Tax Office has set up a support centre for victims to report the fraud and correct their details.

Taxpayers who believe their tax details, such as Tax File Numbers, may be compromised are encouraged to ring the support line on 1800 060 062 to report their concerns.

The Tax Office will then check whether the TFN was used by a third party to lodge a fraudulent tax claim which will then be revoked.

The taxpayer may then have their tax file reactivated and issued with a new TFN to ensure that scammers are unable to use their details in the future.

Changes to the taxation of special disability trusts



With effect from the 2008/09 financial year, Parliament passed a bill that deals with the changes in treatment of unexpended income of special disability trusts.

Under the existing tax law, income of a special disability trust that is spent on the care and accommodation needs of the principal beneficiary could be taxed to the beneficiary and the unexpended income is taxed to the trustee at the top marginal rate plus Medicare Levy.

Under the new rules, the unexpended income of a special disability trust will be taxed at the principal beneficiary's marginal income tax rate rather than the trustee's top marginal tax rate.

The government also announced that it will extend the capital gains tax main residence exemption from 2009-10, to a residence owned by the trustee of a special disability trust, and used by the beneficiary as their main residence.

Paid parental leave just around the corner!



The Governments Paid Parental Leave Scheme is due to commence on January 1, 2011.

Under the scheme eligible parents will receive payments at the current Minimum Wage, of \$569.90 per week for a period of 18 weeks. These payments will be made by the employer who will be reimbursed by the government.

To be eligible for Paid Parental Leave, a person must meet certain requirements, including:

- Be an Australian resident
- Be the primary carer of a child born after January 1, 2011
- Be the mother of a newborn child, and
- Be in paid work and have engaged in at least 330 hours in a 10 month period prior to the child's birth.

Families receiving these payments will not be eligible for the baby bonus or for family tax benefit part B during the period of the payments being received.

Parents can lodge a claim up to three months in advance and the Family Assistance Office may contact the employer if one of their employees is eligible.

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