

HMA TWOMEY PATTERSON

CHARTERED ACCOUNTANTS

Business & taxation advisers · Registered company auditors

JANUARY/FEBRUARY 2007 NEWSLETTER

Valid tax invoices issued by agents

Generally, a tax invoice for GST purposes will contain the name and ABN of the supplier.

However, there is a situation where a tax invoice can have a completely different name and ABN on it – this is where the supplier makes a supply through an agent.

A common example is where there is a partnership of discretionary trusts, and the partnership appoints a corporate agent to run the business of the partnership. The corporate agent enters into all relevant transactions on behalf of the partnership, but the partnership obviously has to account for all of the GST effects of these transactions.

In such a situation, the agent is able to issue a tax invoice containing either:

- the name and ABN of the supplier (i.e., the principal); or
- the name and ABN of the agent.

The ATO has also recently confirmed that an agent can issue a valid tax invoice with its own name and ABN on the invoice rather than the supplier's, *even if* the agent is unregistered for GST.

That is, there is no requirement for the agent to be registered for GST for the invoice to be valid.

If it does not have an ABN, it can still issue a valid tax invoice with the principal's name and ABN.

Note: A tax invoice cannot have the name of the agent and the ABN of the supplier (or vice versa).

Bushfires: Help for residents, fire fighters & volunteers

The Tax Commissioner has assured residents affected by the bushfires around Australia that the ATO will take a sympathetic approach to their individual circumstances.

This offer extends to all taxpayers affected by the bushfires, including businesses, farmers,

residents and many others, such as fire fighters and volunteers, who are busy helping out in their local community.

The Tax Office can help by:

- fast tracking refunds;
- giving extra time to pay debts – without interest charges;
- giving more time to meet activity statement and other lodgment obligations;
- helping reconstruct tax records where documents have been destroyed; and
- offering personal visits from field officers to help reconcile lost records.

Deductions for Charity dinners and the like

The Government has announced that, from 1 January 2007, more deductions for fund raising charity dinners and events will be available under the 'Minor Benefits Measure'.

This measure allows a tax deduction for certain payments to a charity where a benefit (such as a dinner) is received by the taxpayer, as long as the value of the benefit received does not exceed a certain percentage of the total payment.

Under the changes:

- the threshold (i.e., the minimum cost of, e.g., the ticket to the charity dinner) will be reduced to \$150 (previously \$250); and
- the value of the minor benefit allowed will be increased to 20% of the gift – or ticket price – but not exceeding a value of \$150 (previously 10% not exceeding \$100).

For example, assume a ticket to a fund raising dinner costs \$200. The value of the dinner could be up to \$40 and participants would be entitled to a tax deduction of the balance of approximately \$160.

Government reviews the taxation of plantation forestry

From 1 July 2007, investors in forestry managed investment schemes (MIS) will be entitled to immediate upfront deductibility for all expenditure as long as:

- at least 70% of the expenditure is directly related to developing forestry ('direct forestry expenditure'); and
- arm's length prices are used to determine the value of the direct forestry expenditure.

Direct forestry expenditure comprises:

- expenditures associated with planting, tending and harvesting of trees over the life of the investment; and
- annual costs of the land used, such as rental costs or lease payments for land.

SMSF Compliance Program – audits to double in 2007

In 2005/06, the ATO completed 4,530 audits of SMSFs and is planning to double their compliance coverage in 2006/07.

Compliance Program 2006/07

In 2006/07, the ATO will pay particular attention to:

- ensuring funds meet the definition of an SMSF and comply with the sole purpose test;
- any loans and borrowings; and
- complying with the investment rules, including:
 - acquisition of assets, ownership of assets, and in-house asset rules;
 - arm's length investments;
 - investment strategy requirements.

Editor: Clients who would like to discuss their superannuation needs or concerns should contact our office as soon as possible before the end of the tax year.

Effective Life of tractors and harvesters stays at 6²/₃ years

The Government has announced that it will retain the current 'effective life' of 6²/₃ years to calculate depreciation on harvesters and tractors.

The Tax Office had suggested that the effective life should be increased to 12 years for new tractors and 10 to 12 years for larger, new harvesters.

The Government is introducing a statutory cap to preserve the current 6²/₃ year period over which farmers can depreciate tractors and harvesters.

ATO Data Matching activities

The ATO is planning to undertake more data matching exercises to identify non-compliance with lodgment and payment obligations under taxation law.

Taxis and transport

The ATO will collect names and addresses of entities held by the Victorian Taxi Directorate and Queensland Transport.

Retail shopping centre tenants

Data will also be obtained from seven main shopping centre operators, such as Westfield Management Limited.

The ATO will use the information obtained from the program to ensure that retail tenants are:

- registered for GST where required;
- meeting lodgment obligations; and
- correctly accounting for supplies for GST and income tax purposes.

The articles contained in this newsletter are intended for information only and not for advice. For further information or advice, please contact your nearest office.

Cootamundra - 02 69421266
Coolamon - 02 69273207

Wagga Wagga
Ganmain

02-69258377
02-69276161

Young 02-63825011
Harden 02-63862485