

the report

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DFK HIRN NEWWEY

Chartered Accountants

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FIRM NEWS & CLIENT CORNER



Hirn Newey Computers

Did you know that in addition to providing you with quality business and taxation services, we can also assist with your business computing needs?

DFK Hirn Newey's Information Technology division, **Hirn Newey Computers**, is a well established IT Solution Service Provider with more than 20 years of experience.

We assist clients in small and medium sized businesses, specialising in (but not limited to) the following areas:

- Network Infrastructure design and implementation
- Server Platform design and implementation
- Server / Storage virtualization and consolidation
- Application delivery solutions through terminal services and virtual desktops (VDI)
- Secure remote access and authentication solutions
- Backup / Restore and disaster recovery solutions and implementation
- High Availability solutions and implementation
- Security and Data Encryption consultation and implementation
- Email solutions including Anti Virus and Spam protection
- Server, PC and Laptop refresh and data migration
- Software installation and rollout
- Accounting software consultation and implementation
- Remote management and support

We can provide you with a customised solution for your individual business needs, including Professional Services and Managed Services solutions.

Hirn Newey Computers partners and works closely together with major IT distributors and vendors.

If you have any concerns about your current IT system setup and would like to obtain a **free, independent IT audit report**, please contact **Alexander Simon** on **3266 1488** or asimon@hncomputers.com.au to arrange a consultation.

Record Fee Income of US\$1 billion for DFK International

DFK International, which is represented by DFK Hirn Newey and Hacketts DFK in Brisbane, has posted record results for the year to September 2009 with combined fee income for the Association of US\$1.05bn.



Member firm fee income has risen consistently year on year throughout the last decade and DFK is now clearly established as one of the top 10 specialist international accounting Associations.

Mike Tovey (the current President of DFK International and Managing Partner of our London member, Chantrey Vellacott DFK) commented he is delighted with the growth of the association and that these results highlight the real strength of DFK International and its member firms.

Whilst reporting record results, DFK International also announced the appointment of its new Executive Director, Martin Sharp. Martin has had a distinguished international career in the UK Royal Air Force. He commented that "Against the background of continued worldwide recession, DFK has reported great results. I have been very impressed by the partners I have met and their commitment to meeting the needs of clients with international operations - so I am not surprised by these results. I relish the challenge of contributing to the further growth of such a dynamic international Association".

The Association was formed in 1962 and will be celebrating its 50th anniversary in July 2012 in Paris ahead of the London Olympics.

DFK INTERNATIONAL WORLD STATISTICS 1999 TO 2009	1999	2009
No. of Member firms:	145	216
No. of Offices worldwide:	261	382
No. of Partners:	733	1,222
No. of other professional staff:	3,452	6,620
No. of support staff:	1,280	2,115
Total staff (including partners):	5,465	9,957
Fee Income:	US \$m 332	1,047



Client Corner ~ Grand Final Technologies Invent *Pelleres™*

Pelleres™ is a revolutionary new sports product invented by Mepi Faoagali, former professional Rugby Union player and founder of Grand Final Technologies.

Fitted weights that are worn on the forearms, Pelleres™ simultaneously stabilise and strengthen a person's core during exercise. The benefits of Pelleres™ include improvements in performance, core strength, agility, speed, stamina, reaction time, posture, skill execution, and the strengthening of neural pathways.

The Pelleres™ is the first product of its type and has been enthusiastically received by a large number of professional and amateur athletes, including beach volleyball Olympian Natalie Cook.

Recently making the finals of the [2010 Australian International Design Awards](#), the Pelleres™ were also featured in the [Sunday Mail on 28 March, 2010](#) and on the [ABC's New Inventors](#).

More information on Pelleres™ can be found at www.pelleres.com

MONTHLY REPORT

Offsetting Business Losses against Other Income

Taxpayers who make a net loss in a business activity may, under certain circumstances, claim that loss by offsetting it against their income from other sources. This is restricted by what's known as the 'non-commercial losses rule'. Key changes were introduced late last year to further tighten the rules to restrict access by individuals with an adjusted taxable income of \$250,000 or more. The changes apply from the 2009/10 income year. Despite this, taxpayers who exceed the income threshold can, in limited circumstances, still access the benefit by requesting that the Commissioner exercise his discretion to do so. The Tax Office has released an application form and an evidentiary checklist to assist in this process.

Phoenix Activities: Government Flags Possible Action

The Government has flagged possible action to combat fraudulent phoenix activities which the Tax Office says are costing the country around \$600 million a year in lost revenue.

The Assistant Treasurer, Senator Nick Sherry, said the activity has been prevalent in the building construction industry, hospitality, cleaning services, and is spreading into other sectors.

Senator Sherry said possible action may include changing the law so that directors engaged in phoenix activities cannot avoid being personally liable for paying tax that is owed and superannuation guarantee for employees.

Dodgy GST Arrangements and Artificial Credits on Tax Office Radar

The Tax Office has issued a Taxpayer Alert warning taxpayers about uncommercial arrangements designed to create or increase an entitlement to a reduced input tax credit during a company's float, merger or acquisition. Under the arrangement, a company involved in a takeover would use a related associate entity to obtain all services required for the takeover. The associate would then invoice the company for the services and the company would then claim the credit that it would not normally be entitled to if the services had been acquired from another service provider.

Entrepreneurs' Tax Offset: Income Test Introduced

The Government has presented a Bill in Parliament which proposes to introduce an income test to restrict eligibility to the entrepreneurs' tax offset. The offset presently provides a 25% tax offset on the income tax liability of small businesses that have an annual turnover of \$75,000 or less, phasing out from a turnover of \$50,000. The proposed test will restrict access to the offset for single individuals with income of over \$70,000 and for families with income of over \$120,000.

Investors of Failed Forestry Schemes: Deductions Protected

The Government has introduced legislative changes to protect deductions claimed by investors in forestry managed investment schemes where the four-year holding period requirement to claim the deduction is failed for reasons genuinely outside the investor's control. The change will assist investor's in schemes which are wound-up or insolvent.

Superannuation Clearing House: Coming Soon

The Bill to establish an optional free superannuation clearing house for employer superannuation contributions has been introduced into Parliament. The clearing house, to be Medicare Australia, will allow businesses with fewer than 20 employees to meet their employer superannuation guarantee obligations once payment is received by the clearing house. The clearing house is expected to be available from July 2010. Businesses are expected to be able to register with Medicare Australia from May 2010.

CGT Small Business Retirement Exemption: Anomaly Corrected

The Government has introduced legislative changes to correct an unintended effect on the operation of the small business CGT retirement exemption made by the *Superannuation Legislation Amendment (Simplification) Act 2007* which inadvertently exposed payments a trust makes to a CGT concession stakeholder under the retirement exemption to CGT event E4.

Replacement Dwelling: CGT Main Residence Exemption Clarified

The Government has introduced legislative amendments to ensure that a replacement dwelling that is eligible for the compulsory acquisition rollover is also treated as a continuation of the original dwelling for CGT main residence exemption purposes.

'Accrued' Farm Management Fees Assessable

In an Administrative Appeals Tribunal decision, a company which had operated a tax effective investment scheme has been unsuccessful in arguing that it should have only been assessable on those fees received from investors for which the Commissioner had allowed a deduction for actual cash outlays. Rather, the Tribunal found the company, as an accruals taxpayer, had derived all the fees that it was contractually entitled to receive under the scheme, which included those non-cash payments arising from the round-robin loan arrangements entered into with the investors.

Tax Liabilities for Duty-free Goods Seller

In a recent case relating to whether the taxpayer had sold cigarettes duty-free in circumstances where it knew or should have known the goods were intended for domestic consumption, the Administrative Appeals Tribunal concluded that the taxpayer had failed to discharge the relevant onus of proof. It therefore found that the taxpayer was liable for various relevant income tax, GST and excise duty liabilities.

GST Assessment for Net Amounts

In a dispute regarding claimed input tax credits, the Administrative Appeals Tribunal held a taxpayer was unable to substantiate his claims for the credits and accordingly affirmed a notice of assessment for net amounts issued by the Commissioner. The Tax Office had formed an opinion that the taxpayer had over-claimed credits following an audit. The taxpayer conducted a lawn mowing business and the acquisitions related to goods and services from a mower centre and fuel.

Superannuation: What is Meant By 'Contribution'?

The Tax Office has released Taxation Ruling TR 2010/1 which explains the Commissioner's views on the ordinary meaning of 'contribution', how a contribution can be made to a superannuation fund, and the timing of when a contribution is made. The Ruling also explains key aspects of the income tax rules for deducting employer superannuation contributions and personal contributions.

Self-Managed Super Funds and Acquiring Assets from Related Parties

There are strict rules which prohibit a self-managed superannuation fund (SMSF) from acquiring an asset from a related party. The Tax Office has released Self Managed Superannuation Funds Ruling SMSFR 2010/1 which explains the rules. The Commissioner states that under the rules an 'asset' means any 'form of property' and includes every type of right and intangible personal property that can be enforced by legal or equitable action such as a debt or an interest in a trust fund. The phrase 'acquire an asset' encompasses not only the purchase of an asset but also the acquisition of an asset where the SMSF does not provide any consideration (for example, in specie contributions).

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IMPORTANT: This is not advice. Clients should not act solely on the basis of the material contained in this Bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.