



Working for your future... wherever you are

Nice to meet you...

WTS Australia was established as a high-end independent advisory firm offering a comprehensive and integrated range of professional tax services. We serve a range of clients from listed public companies and subsidiaries of foreign owned multinationals through to family owned private businesses and individuals. WTS Australia is a member of WTS Alliance (www.wts-alliance.com), a network of selected tax firms in over 90 countries throughout the world.

This is our first edition of our monthly Tax Brief and we are interested to read and listen to your feedback on it. In this edition, we alert you to some of more topical and practical areas of tax news during the month of January, including ATO administrative flood relief, deductions for flood donations, ATO's mergers and acquisitions guide, and new superannuation initiatives.

AUTOMATIC DEDUCTION FOR FLOOD DONATIONS

People who give to 'bucket appeals' can claim a tax deduction equal to their contribution up to \$10 in their 2010-11 tax return without the usual need to keep a receipt.

FOREIGN EXCHANGE RATES

All foreign income, deductions and foreign tax paid must be translated (converted) to Australian dollars before including it in your return. From 1 July 2003, specific rules tell you which exchange rate to use to convert these amounts. Generally, amounts are to be converted at the exchange rate prevailing at the time of a transaction, or at an average rate. Exchange rates can be obtained from <http://ato.gov.au/taxprofessionals/content.asp?doc=/content/22855.htm>

< more overleaf

Tax Help for Flood affected areas

The ATO are implementing a range of support strategies to help people affected by the continuing floods, including the deferral of lodgment dates and the implementation of general interest charge (GIC) stoppers for businesses, tax payers and tax practitioners.

The ATO will automatically defer the lodgment and payment date for December monthly activity statements originally due 21 January 2011 to 21 February 2011, for those who reside within the affected areas. You do not need to apply for a deferral.

If you or your clients need additional time to meet other lodgment or payment obligations in the coming weeks, contact the ATO on **13 72 86 using Fast Key Code 5** before any due dates to make special arrangements.

Mergers & Acquisitions

As mergers and acquisitions (M&A) transactions are becoming increasingly complex and involve tax outcomes at both the corporate and shareholder level, the ATO has developed a M&A guide setting out the key compliance issues and common themes.

The M&A guide provides a framework when dealing with complex transactions and assists in identifying compliance issues for groups and shareholders. The ATO states it is not an exhaustive list of all risks associated with M&A transactions but will attempt to give an overview of the common tax outcomes and themes they see in current M&A activity.





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Stronger Super

In May 2009, the Government announced a comprehensive review of Australia's superannuation system. On 5 July 2010, the Hon. Chris Bowen, the Minister for Financial Services, Superannuation and Corporate Law, released the final report of the super system review.

A response to the recommendations in the report was recently made on 16 December 2010 by the Hon. Bill Shorten, the Assistant Treasurer and Minister for Financial Services and Superannuation.

THE PROPOSED CHANGES INCLUDE :

- **MySuper** A simple, low-cost default super product called MySuper, will be introduced which will be more transparent and more easily compared than current default super products.
- **SuperStream** From 1 July 2011, the government will start implementing SuperStream, a package of measures designed to enhance the 'back office' of super. When fully implemented, these measures are designed to make the processing of everyday transactions easier, cheaper and faster.
- **Self-managed super funds** A range of measures relating to self-managed super funds (SMSFs) will be implemented. These reforms are designed to improve the integrity of SMSFs and increase community confidence in the sector by enabling more efficient transactions, including rollovers from super funds regulated by the Australian Prudential Regulation Authority..

At a glance...

CAPITAL ALLOWANCES - NEW EFFECTIVE LIFE DETERMINATIONS

The ATO have released a draft list of effective lives for concrete block, brick, clay brick and paver manufacturing assets. The proposed new determinations will apply to new assets purchased or installed on or after 1 July 2011.

If you have an interest in these draft effective lives or if you disagree with a proposed effective life, the ATO are presently inviting comments from the public.

GOVERNANCE, INTEGRITY AND OTHER REGULATORY SETTINGS

The government's measures to strengthen the integrity of the super system are designed to improve trustee and fund decisions, efficiency and effectiveness, and ultimately increase members' super entitlements.

These proposed changes will come into effect over the period 1 July 2011 to 1 July 2015 if they are made into law. At present, they have not received royal assent.

The government will undertake further consultation with relevant stakeholders on the implementation of its Stronger Super reforms.

DEDUCTIONS FOR STUDY EXPENSES FOR FULL-TIME STUDENTS ON YOUTH ALLOWANCE

Eligible taxpayers can now claim a tax deduction for their study expenses as a result of the High Court decision in Commissioner of Taxation v Anstis [2010] HCA 40. Amendments may be made for income tax returns already lodged for 2007, 2008, 2009 and 2010 income years.





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Did you know...

INCOME FROM INCOME PROTECTION POLICY IS NOT BUSINESS ACTIVITY INCOME

The Court in *Watson v Deputy Commissioner of Taxation* [2010] FCAFC 17 held that income will be 'from' a particular business activity where it has its starting point, or source, or origin, in that activity. In order to determine whether this is so, requires the 'extent and the nature of that business activity' to be identified.

Although the legislation does not use the expression 'causative connection' the Court acknowledged the use by the primary Judge of these words as 'an alternative description of the relationship implicit in the word "from".'

The Court agreed with the Commissioner's treatment of deferring excess deductions under the non-commercial loss rules, to be used against assessable income derived from the business in the following year, rather than against income derived from the taxpayer's insurance policy.

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