



Private Trusts have 3 month extension

As noted in the November Tax update for people who want to transfer control of their private trusts or private companies before Social Security deprivation rules are applied, a 3 month extension now applies. Although the new rules started from 1 January 2002, the Minister said Centrelink will be able to re-start people's pensions from the date they proved they had transferred control of their private trust or company, provided it was before 1 April 2002 and provided the other requirements were met.

Source: Minister for Family & Community Services media release, 20 December 2001

Rental property income and expenses into individual's returns

The ATO instructions indicate that rental income and expenses from properties that are jointly owned should be shown in the individual's tax returns (and no partnership rental property schedule prepared) unless the properties are assets of a partnership business. The ATO states that if a trust or partnership (an "entity") is registered for GST and GST was payable in relation to rental income the entity derived, the GST should not be included in the income amounts to be

shown in the schedule. Similarly, if the entity is registered for GST and entitled to claim input tax credits for rental expenses, the input tax credits are not to be included in the expense amounts. If the entity is not registered for GST or the rental income was from residential premises, any GST should be included in the amounts of rental expenses.

If the entity is a part owner of a property, only the entity's share of the rent and expenses should be included. A rental property schedule should be completed for each rental property the entity owns or has an interest in. However, there are 2 exceptions:

- ◆ If the entity has multiple rental properties on one title, for example, a block of flats, the details of those properties should be included on one schedule; and
- ◆ a rental property schedule does not need to be completed for a foreign rental property. Income from foreign rental properties should be shown as foreign income.

Credit for PAYG Tax Paid

There may be a common problem relating to the picking up by the Tax Office of PAYG credits. The problem arises where a BAS has not been

processed by the ATO by the time a tax return is lodged. For example, where the June 2001 BAS has not been processed by the ATO by the time a tax return is lodged in, say, October 2001, previously paid PAYG tax declared on that BAS may not be allowed in that tax assessment. This can, not unexpectedly, result in perplexed looks on tax agent clients' faces, not to mention the non-arrival of eagerly-expected tax refunds. What has to be done for that PAYG credit to be allowed to the taxpayer? In this circumstance, it requires an objection letter from the tax agent to get the PAYG credit allowed and paid to the client's bank account.

Taxpayer Alerts - early warning of tax planning issues from the ATO

The first Alert (TA 2001/1) deals with a Home Loan Unit Trust Arrangement whereby a taxpayer and/or spouse uses a unit trust to acquire a property for their residential use in an attempt to access tax deductions generally available to investment properties