

The New R&D Scheme

As we have advised in previous editions, there have been a number of attempts to finalise and introduce a new Research & Development (R&D) Tax Concession Scheme. There were two exposure drafts of the proposed scheme that were released and subject to significant comment. In addition, the final version of the Bill was sent to a sub-committee by the Senate. The Bill did not proceed beyond the Senate and it is the Government's stated intention that it will be reintroduced and still has a proposed commencement date of 1 July 2010. The Senate is not due to sit again until August, by which time either an election will have been called and the matter will be deferred until the new Parliament is sworn in, or further debate and possible amendments will be required before it is passed.

This leaves R&D claimants in a difficult position of not knowing whether the new scheme is operative from 1 July 2010, and if so what are its requirements. Many potential claimants will not know whether a project is eligible, nor will they be keeping sufficient documentation to identify whether expenditure is core or supporting in nature.

***Action point:** We will monitor developments and advise readers of the final form and content of the R&D scheme and when it is to be operative.*

NSW Payroll Tax: Threshold & Rate Change

The NSW payroll tax exemption threshold has been indexed annually since 1 July 2008. The 2010/11 exemption threshold is \$658,000, up from \$638,000 in 2009/10. The NSW payroll tax rate is 5.65% for the period from 1 January 2010 to 30 June 2010, 5.5% from 1 July 2010 and 5.45% from 1 January 2011.

Fuel Tax Credits: Rate Change

With effect from 1 July 2010, the on-road fuel tax credit rate is 15.543 cents per litre of eligible fuel. Prior to the change, the rate was 16.443 cents per litre.

***Action point:** Clients claiming fuel tax credits in the July-September 2010 quarter BAS should ensure that the new rate has been used in their calculations.*

Indirect Tax News

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If you have any enquiries regarding the issues raised in this newsletter, please do not hesitate to contact one of the consultants named above.

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Henry Review: Payroll & Land Taxes

The Henry Review recommended that State payroll taxes should be abolished and further recommended that a broad-based cash flow tax, applied on a destination basis, could be used to finance the abolition of payroll tax and inefficient State consumption taxes, such as insurance taxes.

Given the significant amounts raised by all States/Territories from payroll tax and the political constraints on major tax reform, we expect that payroll tax will be around for the medium term at least.

The Henry Review favours the abolishing of all State Stamp Duties, but the broadening of land tax, to potentially include all land.

GST Rulings

From 1 July 2010, the GST ruling system will mirror the Income Tax ruling system more closely. Among other things, taxpayers who rely on Public and Private GST rulings will have greater legal protection in the event that the ATO subsequently changes its opinion and withdraws a ruling. Of concern is the outcome that many ATO decisions made from the introduction of GST will no longer have the protection of ruling status. In particular, GST treatments based on ATO letters to industry associations or ATO statements recorded in Industry Partnership minutes may no longer have legal or administrative binding ruling status. The ATO has agreed on a moratorium on audit action for activity statements for the 2010-11 financial year where taxpayers have relied on rulings issued to industry associations. However that moratorium does not appear to cover all other forms of ATO advice.

It needs to be remembered that, during the period 1999 to 2001, the ATO encouraged the communication of its interpretation of GST grey areas in the new legislation through industry associations. Hundreds of GST interpretational matters affecting hundreds of thousands of businesses were resolved through correspondence to and from the associations. Those advices issued to the associations, rather than to individual taxpayers, will now not have binding ruling status in many cases.

***Action Point:** Over the next 12 months, clients need to identify the rulings upon which they have based their GST treatments. Clients could also approach industry associations of which they are members to attempt to identify whether any GST treatments they have adopted were based on advice to the industry associations or other documents that are now no longer binding rulings.*

DISCLAIMER

This newsletter is issued as a helpful guide. It is not intended to, and does not cover all aspects of the topics discussed. Professional advice should be sought before any action upon these topics is taken.