

December 2014



# Client Update

An update on business issues from Bob Jeffery



## Can super monies be released on compassionate grounds? What about medical procedures?

An article appeared recently in a national newspaper and was picked up by national TV and radio.

It concerns a taxpayer withdrawing \$30,000 from her superannuation fund for weight loss, a tummy tuck and breast implants. This raises questions about when you can access your Superannuation.

### Compassionate grounds to withdraw superannuation

The taxpayer involved suffered from obesity. She obtained a written statement from her medical practitioner which argued that without this stomach reduction procedure, she could experience severe ill health and possibly a life threatening condition.

Applications for early release of superannuation on medical grounds must be approved by the Department of Human Services (DHS); and applicants need to supply letters from their GP and a specialist certifying that their condition is life threatening, and provide proof that expenses cannot be met by any other means.

**CHRISTMAS CLOSURE**  
Our Office will be closed  
Friday 19th December,  
and reopen Monday 12th  
January. Enjoy your  
Christmas break!

### When can super monies be released on compassionate grounds?

Where an SMSF member is suffering a severe medical condition and cannot afford to pay for such medical expenses, they can apply to the DHS (not the ATO) to have some of their super funds released. Basically, a member will be entitled to claim 'compassionate grounds' where:

- the medical treatment (which is not readily accessible through the public health system) is necessary to treat a life threatening condition, to alleviate acute or chronic pain, or to alleviate an acute or chronic mental disturbance/illness; and
- two registered medical practitioners (one of whom is a specialist) have certified that the above requirements have been satisfied.

**There are many other issues involved, including significant penalties where funds are withdrawn incorrectly, so clients should contact us before trying to withdraw any funds from their superannuation fund.**

## A Cleaner has his tax refund stolen in an ATO video – How to protect your identity

The ATO continues to warn taxpayers about the dangers of not protecting important details such as their tax file number, date of birth, current address and driver's licence number.

So it has put out a video called "Don't let yourself disappear", which shows what can happen when personal information gets in the wrong hands.

In it, while discussing identity fraud, one of the characters says, "Yeah, I saw an ad for a cleaning job."

"Great pay, low hours. I thought awesome, extra cash. So I gave them all my details, and then I never heard back about the job."

"Then at tax time my refund was taking forever, so I called the Tax Office and they told me that it's already been issued."

"So the scammer stole my identity and my refund." See the video at <https://www.ato.gov.au/Individuals/Tax-file-number/In-detail/Identity-theft/Identity-crime/>

## From Bob's Desk It's Christmas time...

It's a family time of year at Christmas. So, we have focused on family-related financial issues in this edition of our



newsletter. Many CPAs don't have the expertise to deal with complex family financials and dynamics. Jeffery & Associates are considered by many of our clients to be their most trusted family business advisor. From our family to yours, we wish you peace and joy at Christmas and a prosperous partnership with us in 2015.

## Rental Property & Family Issues

Mum and Dad sell their house, and build a granny flat on the kids property. They pay \$400 per week for rent. This helps the parents with their pension and their kids with their mortgage. More typically though, family pay below market rate on renting family property.

The question I'm often asked is. Do we have to include details on our tax returns when we have an investment property that's occupied by family members? Or in a similar situation with a family boarder?

The answer is no – The Taxation office do not require you to provide details of income and expenses on a rental property rented out to family where the rent charges is not on a strictly commercial basis. However, don't claim the rental property deductions. The Tax office would prefer you only claim expenses up to the rent received.



## Small business taxpayer's intimidated in disputes with Tax Office.

Sydney Morning Herald News article of the 25th November reports that some small business people have been intimidated, made bankrupt and suffered mental breakdowns after drawn-out disputes with the Tax Office, according to evidence given to a parliamentary inquiry.

The inquiry into tax disputes has heard from dozens of small business owners and tax advisers across the nation that say despite Tax Commissioner Chris Jordan's efforts to bring in cultural change, the Tax Office lacks staff with technical expertise and retains a "revenue bias". Junior officers try and please their superiors by banking revenue, rather than listening to genuine complaints by individuals and small businesses that the assessment issued was wrong.

The criticisms come as the Tax Office has just lost 3000 staff due to Abbott government budget cuts, with another 1700 to follow in coming years. Hundreds of senior officers, including from the audit team, have exited, further raising concerns that the Tax Office lacks qualified staff.

The inquiry heard that while big business taxpayers have the time and money to fight tax bills in court, small business were made to comply by being threatened with garnishee notices requiring them to make immediate debt payments to the Tax Office, even while those debts are the subject of a dispute.

"For a small business, that can be quite an unpleasant experience, to say the least, because they may face insolvency," said Clayton Utz tax partner Niv Tadmor. Others said the taxpayer would rather settle an incorrect assessment than face going bankrupt.

**If you have any issues like this, call us! We are your advocate with the ATO and have shown great success in these matters.**

Read more: <http://www.smh.com.au/business/parliamentary-inquiry-told-of-atos-unequal-treatment-of-small-business-20141124-11slto.html#ixzz3K33QiqAm>

## Can I buy my kids a car without gift tax?



Q I inherited my father's car after his death and I have lent the use of it to our son. I would like to trade the car in to purchase a new car for him. Our son is 23 years old. Is it permissible to buy a new car as a once-only gift for him without incurring gift tax?

A. There is no gift tax in Australia and you are quite free to pay for a car for your son and have it registered in his name. However, a car can only have a single owner and cannot be registered in joint names.

## Client Profile **VIP Lighting**

### VIP LIGHTING IS A QLD BUSINESS SUCCESS STORY

The company was established in 1995, and has grown and expanded to operate company owned franchises in five states as well as a rapidly growing subsidiary in New Zealand. The owners Mick and Rebeca Gibson are proud to proclaim VIP Lighting is now the largest bulb/ fluoro replacement company in Australia. Mick explains, "We test Emergency Exit light fittings, test and tag electrical equipment, and have newly opened a fire extinguishers testing

division. We have a nationwide network, and a large customer base. Most of our service technicians are licenced electrical contractors so they can offer a very high standard of electrical and complementary services."

Mick and Rebecca say their recipe for success has been hard work, good staff, quality professional advice and total honesty. We look after our staff, and this helps build a loyal customer base.



*Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.*