

Lao Pollock & Co

Certified Practising Accountants
Registered Tax Agents



LAO POLLOCK & CO

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OUR SERVICES:

**Specialist Taxation
Advice and Compliance**

**Accounting
Bookkeeping
Administration**

Lao Pollock & Co is a CPA
Practice.

Registered Tax Agent

Our firm specialises in the provision of quality taxation compliance and advice services to individuals and small business. Most of our clients engage our firm in compliance work (preparation of tax returns), and we also take instruction from clients and professionals (eg. solicitors, trustees and executors) in providing opinion relating to more complex tax matters.

We also engage in accounting and administration services for clients.

TAX MATTERS - NEWSLETTER

Thank you for taking the time to read our Tax Practice Newsletter.

Please feel free to hand our Newsletter to a friend, relative or associate.

"HOT TOPIC"

Franking Credits

Recent media speculation had raised the possibility of changes to the "Dividend Imputation" system in Australia. Fortunately the recent 2015 Federal Budget maintained the status quo. Just to explain, since 1987, taxing arrangements are such that "Dividend Imputation" eliminates the double taxation of cash payments or dividends from a company to its shareholders. A company notifies the tax office and its shareholders of the tax it has paid on the income distributed as dividends. (The current company tax rate is 30%). The shareholder then is allowed a full credit (franking credit) equal to the tax paid by the company. In this way, double taxation does not apply to the shareholder. To illustrate, say ANZ Bank pays a "fully franked dividend" of \$70 to a shareholder, the tax already paid or "franking credit" is \$30. The \$30 is fully refunded if the shareholder is in a nil tax position or goes towards a partial refund or reduces tax payable, depending on the shareholders applicable tax rate. Individuals should review their position to ensure they are claiming the benefit of any "franking credits".

**For clarification on this issue,
please contact us.**

DID YOU KNOW?

Capital Gains Tax & Life Interests

Capital Gains Tax is normally associated with tax payable on a gain made on the disposal or sale of a physical asset, for example, property or shares.

The tax office however also attributes capital gains tax to the "granting of a life interest".

Take the situation where a retired elderly couple, John and Betty decide to sell their family home and for reason of "practical ongoing care" have agreed to move into their son's granny flat.

The arrangement is that John and Betty will pay their son James \$300,000 for the "right" to occupy or reside for life. They are not purchasing part of the property, but rather are creating a "right to occupy or life interest".

DID YOU KNOW, capital gains tax legislation would attribute a "market value" to the right to occupy or life interest, (which may approximate the amount paid by John and Betty). The outcome being, James having to pay capital gains tax in this scenario! Consider seeking tax advice prior to engaging in a major financial transaction as capital gains tax may be a consequence.

**For clarification on this issue,
please contact us.**

PRACTICE MATTERS

Client referrals

We always greatly value your support, so please do not hesitate in mentioning either Catherine or Carl to your friends who may be seeking assistance with a tax matter.

CONTACT

Please call Catherine Pollock or Carl Lao on 9633 9220 for assistance with your tax matters.

Disclaimer

Liability limited by a scheme approved under Professional Standards Legislation.
The content of this newsletter is general tax advice only and not specific personal advice.