

TAX CLARITY FOR RURAL COMMUNITIES AND SMALL BUSINESS OPERATORS A STEP CLOSER

Tax rules clarity and certainty for rural communities and small business operators is a step closer with the release today by the Assistant Treasurer, Senator Nick Sherry, of draft legislation on the Government's proposed changes to the non-commercial loan rules.

"These important measures address the concerns of the farming and small business communities, while improving the fairness and integrity of the tax law," the Assistant Treasurer said.

The changes in Division 7A of the *Income Tax Assessment Act 1936* were announced in the 2009-10 Budget.

They will prevent private companies from allowing their shareholders to use company assets, such as holiday houses, cars and other luxury items, at prices that are less than market value.

The reforms will also prevent these taxpayers accessing disguised tax-free distributions of profits.

The Assistant Treasurer said community feedback following the Budget announcement was pivotal in the design of the draft legislation released for public consultation today.

"The feedback told us genuine farming businesses and small businesses that include a residence located at the business itself may have been unintentionally impacted."

"I've taken those concerns on board and the draft legislation now includes two new rules designed specifically to provide certainty and clarity for farmers and small businesses."

"The two new rules will ensure there are no unintentional impacts on farming and small business communities, while also improving the targeting of the original measure."

The rules are an "otherwise deductible rule" and a "residence exemption" for certain payments.

"These changes will have no impact on the Budget bottom line, as the original measure did not envisage raising revenue from the circumstances now exempted," the Assistant Treasurer said.

"I look forward to hearing from interested parties on the draft Bill."

Submissions close by 1 February 2010, to allow the introduction of the Bill early in 2010.

The draft legislation and explanatory materials can be obtained at www.treasury.gov.au