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HIGHLIGHTS

¶1 2013 — The year at a glance

Legislation

Taxation (Livestock Valuation, Assets Expenditure, and Remedial Matters) Act 2013

The Taxation (Livestock Valuation, Assets Expenditure, and Remedial Matters) Act 2013 (No 52 of 2013) was introduced into Parliament on 13 September 2012 and received the Royal assent on 17 July 2013.

A brief summary of the main amendments to the Income Tax Act 2007, Tax Administration Act 1994 and Goods and Services Tax Act 1985 discussed in the 2014 Master Tax Guide is set out below.

Assets expenditure — apportionment

Following the release of an officials' issues paper, "Mixed-use Assets" in August 2011, new rules have been enacted in new subpart DG to limit the amount of an income tax deduction that a person is allowed in relation to the use of certain assets, such as holiday homes, and aircraft and boats costing \$50,000 or more, that are used for both income-earning and private purposes. Generally, the rules apply to assets that are used partly to earn income and partly for private use, and are unused for more than 62 days in an income year.

The new rules apply to land and improvements in land from the 2013/14 income year and to boats and aircraft from the 2014/15 income year.

The mixed-use asset rules only apply to companies that are close companies and include a close company held by trustees.

There is an exclusion from the rules for assets where:

- the principal use in the income year has been as part of a business, that is not a rental or charter business
- the private or non-business use is minor, and
- if the asset is owned by a trustee of a trust or a company, a liability to pay fringe benefit tax or income tax exists.

There is also an exclusion for residential property that is rented on a long-term basis and an exclusion for an asset that changes use during an income year and the only use made of the asset is to derive income.

When a close company holds an asset subject to the rules, any interest expenditure incurred in relation to debt within the company, where the debt is equal to or less than the cost (or rateable value if land) of the asset, will be subject to apportionment. If the debt within the company is less than the cost of the asset, the rules may require group companies, corporate shareholders and non-corporate shareholders, if applicable, to apportion interest on the shortfall of debt. New rules track interest expenditure within and outside of close companies that hold mixed-use assets. To enable the operation of these rules, s 30D of the Tax Administration Act, effective 1 April 2013, requires companies to provide their shareholders with information to enable them to calculate the correct amount of allowable interest expenditure.

See ¶10-032.