

# The Charter

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*"Electronically sign documents using any smart device."*



## Introducing Charters' Private Client Portal

Charters has established a Private Client Portal to provide our clients with a convenient and secure method of transferring and signing documents.

Documents uploaded to the portal can be accessed securely online at any time.

Using the portal also allows for financial statements, income tax returns and other documents to be downloaded and digitally signed, saving the need to print and scan copies. Once signed, documents cannot be renamed, overwritten or deleted, ensuring the integrity of the signing process.

You can also use the portal to upload documents that you want to send to us.

All documents are stored on servers within Australia and are highly secure, using 128-bit encryption and industry best practice standards with authenticated digital signatures.

Once activated, you can access your secure client portal account from anywhere, at any time and on any smart device.

Links to the portal and a "How to" video can be found on the Charters' website.

If you have not already received an activation email and would like to utilise the portal for transferring and signing documents, please get in contact with us.

## SMSF Trustee Obligations:

### Valuing Real Property in a SMSF

Trustees of self-managed superannuation funds have annual obligations regarding real property valuations. These obligations require ongoing attention, especially considering the changing market conditions resulting from the COVID-19 pandemic.

When valuing real property, an SMSF trustee may consider using a qualified, independent valuer (external valuer), especially where the property represents a significant proportion of the fund's value. If they choose to do this, an external valuation is not required each year.

However, if the trustee believes the external valuation has become materially inaccurate or, the value of the property has since been affected by events such as a natural disaster or COVID-19, they should no longer rely on it and obtain a new valuation or other sources of evidence supporting the valuation.

Each year trustees must provide objective and supportable evidence to their fund's auditor.

Real estate agent appraisals stating what the property is likely to sell for based on sales in the area, without listing details of those sales, would not on its own be sufficient and appropriate.

The evidence should also support a market value for the property as close as possible to 30 June, especially where the market is potentially volatile

Listed below are some types of documentation that would be acceptable evidence for substantiating the market value of real property other than an external valuation.

Generally, a single item of evidence listed below will not be sufficient on its own unless the property has been recently sold. We suggest a variety of sources of evidence to support a valuation which may include:

- Independent appraisals from a real estate agent (kerb side).
- Contract of sale, if the purchase is recent and no events have occurred to the property that could materially impact its value since the purchase.
- Recent comparable sales results.
- Rates notice (if consistent with other evidence on valuation).
- Net income yield of commercial properties (not sufficient evidence on their own and only appropriate where tenants are unrelated).

It is the trustee's responsibility to provide documents requested by their auditor which support the market valuation for their assets. It is not the auditor's role to determine the market value of the fund's assets.

**“It's not the auditor's role to value a fund's assets.”**



*“These changes are likely to have a significant impact on individuals and trusts.”*



## Limiting Deductions for Holdings of Vacant Land

Recent changes to our tax laws have significantly limited the deductions that are available for costs incurred on holdings of vacant land. The new law allows those who hold vacant land to claim a tax deduction for the costs of holding the land only if it is held for income-producing purposes or if they are carrying on a business to produce income. Where only part of the land is used for a business purpose, an apportionment is required. Holding costs, including interest, that are not immediately deductible are included in the cost base of the asset for CGT purposes.

Vacant land is defined as land on which there is no substantial and permanent structure having a purpose that is independent of, and not incidental to, the purpose of any other structure or proposed structure. Structures which may have an independent purpose include a commercial parking garage, a woolshed and a grain silo, all of which have a separate primary use. On the other hand, a residential garage or shed would not have an independent purpose.

As mentioned above, there is an exclusion to the rules in that a deduction will not be denied for holding costs to the extent that they are incurred in carrying on a business (e.g. a property development or primary production business) by the taxpayer or, in some instances, their related entities or affiliates. The leasing of land to related parties is common in the agricultural sector for family enterprises and this ensures they are not adversely affected – however, the concession is limited to certain family relationships (e.g. spousal or children, but not siblings). The exclusion also covers land which is held available for future use in a business providing relief for property developers holding vacant land for future development.

A special rule applies when determining whether land that contains residential premises is vacant. Land will be treated as remaining vacant until the residential premises are legally available for occupation and is leased, hired or licensed or otherwise available for lease, hire or licence, i.e. put on the rental market.

The limitation of deductions do not apply to companies and certain other public entities such as managed investment trusts and a superannuation plan that is not an SMSF.

For further information regarding the application of these laws including definitions, exclusions and tax treatment of holding costs, please contact us.



## Donations

We regularly come across situations where a client, who has given money to a charitable cause or crowdfunding campaign, is surprised to learn that they are not entitled to a tax deduction.

To claim a tax deduction for a gift or donation, it must meet four conditions:

- It must be made to a registered Deductible Gift Recipient (DGR).
- It must truly be a gift or donation – that is, you are voluntarily transferring money or property without receiving, or expecting to receive, any material benefit or advantage in return. A material benefit is an item that has a monetary value, e.g. a raffle ticket or greeting cards.
- The gift or donation must be of money or property. This can include financial assets such as shares.
- The gift or donation must comply with any relevant gift conditions. For some DGRs, the income tax law adds extra conditions affecting types of deductible gifts they can receive.

To claim a deduction you must have a record of your donation, such as a receipt.

Not all charities are DGRs. For example, in recent times crowdfunding campaigns have become a popular way to raise money for charitable causes. However, many of these crowdfunding websites are not run by DGRs. This means donations to these campaigns aren't tax deductible.

Also, donations to overseas organisations and charities are unlikely to qualify for a tax deduction unless they have a DGR registered entity in Australia.

If you are concerned about whether you will be entitled to a tax deduction, please contact us so that we can confirm the DGR status of the organisation before you make your donation.



**“Crowdfunding campaigns are popular but not always tax deductible”**



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