



PROPERTY BULLETIN

NEWS FLASH!

BEWARE FARMERS WITH LANDHOLDING COMPANIES

A recent article in The Land Newspaper dated the 21st of May 2009 confirms the following:

The Federal Budget papers set out changes that will mean that if a company allows a shareholder or an associate of a shareholder (ie, somebody within the family) to use the company owned farm without paying rent, the value of the unpaid rent will be taxed to the user as a deemed dividend without the benefit of any franking.

Under the changes, if a family has a farm valued at say \$1.5 million, the Farmer will have a market rental of \$60,000.00 a year added to their assessable income, or deducted from their carried forward losses. If the farmer wanted to solve the problem by paying rent, then based on the example just quoted, the company would still pay \$18,000.00 in tax regardless of the Farm's profits or losses.

If you would like to discuss this, or any other legal issue with one of our experienced staff, please contact:

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