017

CEDAR SALES

SINCE 1987

WESTERN RED CEDAR SPECIALISTS

Andrell Agencies Pty Ltd. ABN: 33 010 044 685

28 Ashover Road,
Rocklea Queensland 4106
P.O. Box 558 Archerfield Q 4108
Phone: (07) 3274 3822
Fax Service: ~~(07) 3844 0474~~ (07) 3274 3848

15th March 2005

Post-implementation Review - Capital Gains Tax,
Board of Taxation,
Department of the Treasury,
Langton Crescent
PARKES ACT 2600

Dear Sir,

<u>Re: Capital Gains Tax Reviews</u>

We have been encouraged by the Hon Fran Bailey to forward a copy of the enclosed submission to you

This is an actual case as to how the existing legislation falls short to assist a small business such as ours. Hoping this is of benefit to your deliberations.

RECEIVED
17 MAR 2005
BY: NB

Yours Faithfully

Alan Parker
General Manager

CEDAR SALES
SINCE 1987
WESTERN RED CEDAR SPECIALISTS
Andrell Agencies Pty Ltd. ABN: 33 010 044 685

28 Ashover Road,
Rocklea Queensland 4106
P.O. Box 558 Archerfield Q 4108
Phone: (07) 3274 3822
Fax Service: (07) 3844 0414

6th. December 04

Mr. Cameron Thompson,
Member of Parliament,
Shop 28, Brassall Shopping Centre,
Hunter Street,
BRASSALL. Q. 4305.

Dear Mr Thompson,

RE: Capital Gains Tax-Small Business

We have some concerns as to the way Capital Gains Tax acts to the detriment of small business when it sells its business premises for the purpose of relocating to larger premises. Our business will, hopefully be relocating to your area next year and we have therefore taken the liberty of referring to you. The writer has already moved to Brassall. We value the fact that you and the Party you represent, were successful in the recent elections.

This matter was raised by us in mid 2003 and we received a reply from the Honourable Joe Hockey MP. A copy of this correspondence is enclosed. This letter referred us to the various small business concessions available of which we were already aware and which had been explored. We did not reply to that letter as it appeared that our concerns were not understood and that we would be wasting our time. However we are raising the matter again as the problem has not gone away.Some of the small business concessions that are currently available are extremely helpful and useful provided the conditions can be satisfied. However if they cannot be satisfied, they are useless as is the case with our Company. They need to be expanded or some of the conditions made less onerous.

From the booklet in our possession entitled " Capital Gains Tax Concessions for Small Business ", it appears that the relevant provisions were enacted in 1997 which is now 7 years ago. One main point we refer to is that the qualifying assets value of the relevant small business entity and any small business affiliate, must not excess $5 million. So far as we can ascertain, this figure is not indexed for inflation and yet any business that was worth $5million in 1997 and owned its own real estate would probably be worth $10 million today and it would now be well outside the guidelines. We all know that real estate has escalated in value over the last few years and that in our Capital cities in many areas it has doubled in value in the last 2 to 3 years. Since 1997 it has doubled or tripled in value and yet no adjustment is provided for.Of course, some would think that if a business has assets over $5 million, it does not need Government and all excess should go to the Taxation Office. If that is the case, perhaps when assets do reach this figure we sould close down and leave the headaches to someone else. However we will endeavour to show that help is still needed and required.

Our submission is that the $5 million ceiling on asset value does not do justice to some family business in 2004/5 where it needs to relocate to larger premises to enable it to meet its customer demands and overall, an enterprise that trades as a corporate entity does not enjoy the same Taxation advantages as it did in the past. We used to pay Company Tax during the year following the year when the profits were made. Now we pay during the same year and are saddled with the burden of also paying "deferred Company Tax" each year to "catch up" the missing 12 months.

However, to return to our main subject,we advise that our business imports timber and has to dry and process it before it can be milled into various shapes and sold and we need to hold up to 6 months value of timber at any given time. With real estate values doubling, we are well outside the limit of $5 million where we could enjoy the provisions enacted in our favour. This time it will cost us $200,000 just to move; we have the extra costs of new premises which is substantial with the ever increasing burden of new Environmental issues (including a water detention dam for a 100-year storm in a City where it hardly rains) and the extra burden of having to pay the Government CGT on the 50% profits made on the real eatate where we are now situated. These so called "profits" are a misnomer because we make no money and the one property substitutes for the other.

The fact is that, if our existing premises increased in value by $1 million during the 4 years we have been in occupation, then it would be reasonable to assume that our new premises (which are larger) would have increased by an extra say $1.5 over the same period of time. This really means we are no better off because we end up with no more than a few square metres of earth under our feet- the same as we had before . Yet we still have to pay CGT to the government on this so called profit of $1 million plus find the extra $.5 for the new premises. Surely the Government must see business expansion as a joint investment- to the owners for sure but also for the Government in providing employment for the community and keeping the dole queues shorter, and also providing hundreds of thousands of dollars each year by way of payg taxes, gst and company taxes etc. It is unfair for the Government to take their money out of a venture and still expect the return. It does not work in any other quarter.

If we look at the situation from another perspective, 10 years ago our business was a one-family affair and we had all our children at home ; today with our three married sons in the business, it is a four-family affair and yet the limit of $5M set in 1997 still stands. Another anomaly is that the $5 million limit is the value of the enterprise irrespective of whether it is owned by a sole proprietor or by a consortium of say 10 persons. It would be much fairer to set the limit at $?? per person which had a financial interest in the venture, or, in the case of a trading trust with reference to the number of working beneficiaries involved in the business. Relief is urgently required. We suggest the $5 million at 1997 values be raised to $10 million to maintain the status quo and indexed for inflation thereafter.

We strongly suggest the Government consider as an exemption from Capital Gains Tax, the profits made by an organisation on sale of real estate used to carry on a business venture where all of the proceeds of that sale go into providing alternate real estate for the same business venture. It is an investment for the government to employ more people. Why should a business have to struggle for a couple of years after relocation to get back on its feet simply to pay the crippling CGT on top of relocation expenses. This is not speculation and a distinct difference should be made.

Trusting in your support.

Many Thanks,

Yours faithfully,

Alan Parker
General Manager

Ian McFarlane - T'ba-