
From: Mansell, Ken [Ken.Mansell@raytheon.com.au]
Sent: Friday, 15 October 2010 10:10 PM
To: Tax Board
Subject: Post-Implementation Review of Certain Aspects of the Consolidation Regime

Regarding the comments in the position paper on the lack of small businesses entering into the consolidation regime, the main issues for small businesses are (both acknowledged in the paper) firstly what benefit does my small business get in entering the regime, and secondly do my advisors have the knowledge to comply?

Small businesses run mostly through trust structures covered by family trust elections and so they can avoid the income injection rule. Therefore, they can easily wipe out losses within the group. So why would a small business enter into consolidation if there is no benefit?

And if there is no benefit for their clients, why would advisors learn about it?

Reopening the transitional arrangements will have very limited effect without a reason for SMEs to take advantage of the provisions.

Until the Government clearly explains the carrot for an SME to enter the consolidations regime or the stick for an SME not entering the consolidations regime there will still be very limited SMEs entering into consolidations and very limited SME advisors willing to learn how. If the Government wants SMEs to enter the consolidations regime they need to consider adding a policy change just for SMEs that is a stick or a carrot.

Hope this helps.

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