

ATO Rulings & Updates

The ATO has issued several rulings and statements that further explain the correct use of trusts and the treatment of units. The reader can get more information from the ATO website (www.ato.gov.au) by searching their legal database online. The tax ruling that specifically relates to units is [IT 2684: Deductibility of Interest on Money Borrowed to Acquire Units in a Property Unit Trust](#). The reader is advised to read this ruling which can be found by searching the online legal database for “IT 2684.”

In December 2008, the [ATO issued Draft Tax Determination TD2008/D16](#). This can also be found on the ATO Legal database and is worth reading. As a brief summary for readers the ATO have now stipulated the following:

In order to claim interest on money borrowed to purchase units in a trust these requirement must be met:

1. The investor is investing with the expectation of making a profit.
2. The investor has a directed and fixed entitlement to income from the trust in proportion to the investment made.
3. There is no benefit that will be offered to others via the trust regarding this investment.

As we have already mentioned, the rules are constantly changing and a Player needs to keep update with these changes. One simple way is to subscribe to the ATO Taxpayers’ Alerts. You can do this via www.ato.gov.au/atp. This is a great service that provides information about unauthorised tax schemes, dodgy investments, special checklists for investors and new rulings mentioned above—all of which are very worthwhile to know about before you invest your money!

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