



**SEP
2005**

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NOTE FROM THE PRESIDENT

In discussion with the ATO, they have informed us that they are developing a communication protocol for the **National Horse Racing and Breeding Project** in the Tax Office. They are currently working with the industry on a broad range of issues including the integrity of ABN use in the industry, business activity statement reporting and foal sharing arrangements to mention a few.

A major focus of the project is to raise awareness and educate industry participants (including jockeys and trainers) of their obligations in relation to a range of taxation matters including GST, income tax, superannuation and capital gains tax. As this will affect our members, we will endeavour to keep you informed of the changes and updates.

Paul Carrazzo, CPA is one of Australia's leading Bloodstock Taxation Consultants and a friend of the Association. He has given us a basic overview of GST in racing.

GST & RACING FUNDAMENTALS

There's never been a more opportune time to reinforce the fundamentals of GST and Racing, given that the ATO is currently conducting its largest ever audit of the industry and that it has also just released its most comprehensive fact sheet on GST and the racing industry, titled "*GST for the Racing Industry*". As players in Australia's largest racing state, New South Wales owners and breeders have obviously come under more scrutiny than any of the other racing states.

Being mindful of the on-going audit activities of the ATO, the NSWROA committee has been pro-active and has approached me to provide a brief summary of the major GST and related income tax issues to be considered by owners and breeders. For easy reference, I have noted these issues under the separate categories of "Racing" and "Breeding".

1. RACING

- ❑ Only those owners considered to be conducting GST "enterprise" can register for GST;
- ❑ As a registered racing person or entity the GST implications are:
 - The GST can be claimed back on racing related expenses; and
 - Prize money earned is distributed inclusive of an extra 10% for GST – hence the owner is not "out of pocket".
- ❑ The new ATO fact sheet further expands on what it considers a "GST enterprise" to be. It states that "...you are conducting your activities as an enterprise if 1) you conduct your activities in a business-like manner and there is reasonable expectation that your activities will become commercially viable and 2) your activities generate an income

based on sound business practices rather than luck or chance."

From recent feedback I have had with the ATO, they have never been more reluctant to accept strict racing activities as an "enterprise". Consider this example in their fact sheet:

"As a racing animal competes against other racing animals, there is no certainty which animals will perform better and win prize money. Therefore, winning prize money is more a possibility or a matter of chance rather than a reasonable expectation."

- ❑ If a GST registered breeder races a "small percentage" their own progeny, the ATO will generally accept such racing as an "enterprise", e.g. a breeder retains a filly to race where the intention is to breed with her in the future.
 - ❑ \$50,000 or plus of prize money per annum does not automatically mean you can register for GST. The same principle applies to breeding related income.
- #### 2. BREEDING
- ❑ Only those breeders considered to be conducting GST "enterprise" can register for GST;
 - ❑ In relative terms, it is easier to demonstrate a GST "breeding" enterprise as distinct from a "racing" enterprise;
 - ❑ Per the ATO fact sheet, it is likely that a breeder is conducting an "enterprise" if you:
 - sell the racing animals you have bred for prices that exceed your breeding costs on a commercial basis
 - have broodmares or bitches with black type quality in their recent bloodlines and you breed with similar quality sires

- conduct your activities in a business-like manner and you keep records using an appropriate system
- conduct your breeding activities in a similar manner to those of other commercial breeders
- combine your breeding activities with other enterprise activities associated with the racing industry (for example, training), or
- combine your breeding activities with assets owned or controlled in relation to breeding.

- As a registered breeder individual or entity the GST implications are:
 - The GST can be claimed back on breeding related expenses; and
 - GST is to be levied on breeding related income, e.g. sales, BOBS etc.
- A person or entity who registers for GST should also seriously consider the income tax implications as in most instances they are also determining that they are conducting a “business” for income tax purposes.

The bottom line is that the area of the racing industry and GST is complex and, if in doubt, you should seek proper advice as to what your likely status is with the ATO.

BOBS

The BOBS scheme paid out a record 685 bonuses over the past year (52 more than in 03/04). Some \$4.64M was in cash and \$778,000 in “double up” bonuses. The latter rose from around 12% of bonuses taken at the start of the year, to nearly 20% at the end. These “double up” vouchers have been used to purchase 29 horses and are rapidly growing in popularity.

Presently there are around 94 stallions nominated for the 05/06 season and the BOBS committee is closely monitoring the potential

impact the huge increase in BOBS nominated 3 year olds will have on the schemes surplus (currently \$2.4M in 07/08.

Some 1659 progeny have been nominated to participate in the 05/06 scheme. (1460 last year) with racehorse contributions totalling \$1,113,640.

Overall, BOBS is growing in popularity all the time and has been a major boost for NSW owners and the industry in general.

RIPAC

The main issues being dealt with at RIPAC are as follows:

1. A Training Agreement between owner and trainers. The Committee feel an agreement needs to be in place ASAP along with the dispute resolution plan.
2. After the withdrawal of the starter bonus by the AJC and their deferral of the increase in prize money due, the Committee have sent a letter of concern to the AJC.
3. Jockey/Track staff safety which of course is a concern to us all.

MEMBER BENEFITS

Champions of the Turf specialise in the design and production of quality Australian horse racing memorabilia for owners, trainers and jockeys. They also exclusively produce merchandise and memorabilia for Sydney Jockey Chris Munce.

Champions of the Turf are offering all **financial NSWROA members** the following exclusive discount rates:

Discount One: 20% discount on all pre-designed signed & unsigned horse racing memorabilia advertised on their website *excluding limited edition items & single photographs.

Discount Two: 30% discount on all custom made pieces on either their

favourite racing champion or their own race horse. Custom made items can include photographs, mini silks, full sized silks, saddle cloths, racing saddle, racing plates (silver or gold plated), whips or anything else that would like to be included.

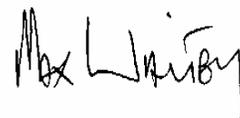
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All signed items accompany a life time certificate of authenticity. For further information contact Matthew Moore on 1800 017 604 or visit www.championsoftheturf.com.au.

FREE ENTRY – SEPTEMBER

1 st	Wyong
2 nd	Grafton
3 rd	Broadmeadow
5 th	Taree
6 th	Tamworth
8 th	Ballina
9 th	Canberra, Hawkesbury,
10 th	Grafton, Kembla Grange
11 th	Moree, Taree
12 th	Leeton
14 th	Broadmeadow
15 th	Broadmeadow
16 th	Muswellbrook
17 th	Kembla Grange
18 th	Lismore
19 th	Bathurst
20 th	Quirindi
22 nd	Hawkesbury, Lismore
23 rd	Canberra, Scone
24 th	Broadmeadow, Grafton
25 th	Nowra
26 th	Albury
27 th	Kembla Grange
29 th	Gosford
30 th	Moruya, Tamworth

Yours in Racing



Max Whitby
President



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