

## DEFINITIONS

### **Amended Assessment**

An amended assessment is when the ATO re-assesses a taxpayer's tax liability. Amended assessments involve a more detailed review than is the case with assessments which mainly involve the ATO accepting a taxpayer's return at face value.

### **Deductions**

Money you spend to enable you to earn income. Allowable deductions include, among other things, stationery, equipment, rent, electricity, telephone and tools. The value of the deduction is subtracted from assessable income to calculate your taxable income.

### **Non- and Limited- Recourse Loans**

In the ATO's view, a non-recourse loan (NRL) is an arrangement where the lender has no recourse or right to reclaim the loan beyond a specified security of the borrower. Usually the 'specified security' is tied to the scheme's earnings (eg, the sale of timber in afforestation schemes). In other words, with an NRL the borrower is not personally at risk to repay the loan, apart from the specified security.

A limited recourse loan (LRL) exposes the borrower to slightly more risk than an NRL. Under an LRL the lender may have recourse to other assets of the borrower's, beyond the specified security. For instance, the borrower may be required to repay the investment loan in full, even if the income from the scheme is less than the outstanding balance on the loan.

### **Round Robin Financing**

A round robin arrangement involves a circular 'paper flow' where little real capital is at stake. It often involves, according to the ATO, the passing of documents such as cheques, promissory notes and so on among connected parties, usually on the same day, with no change to the overall level of cash. While it creates the appearance of a financial transaction, there is little or no cash generated that can go into the underlying business of the investment.

### **Private Binding Rulings**

Private Binding Rulings (PBRs) provide certainty on the tax benefits or consequences of an investment to *individual* investors. These rulings only apply to the individual taxpayer who requested the ruling (compare with Product Rulings below). As with Product Rulings, PBRs provide no protection in circumstances where the investment arrangement is not carried out in accordance with the information provided to the ATO.

## **Product Rulings**

The ATO issues Product Rulings for individual investment schemes. Product Rulings are intended to provide certainty for potential investors by confirming the tax benefits of the investment. Unlike Private Binding Rulings which apply only to individuals, Product Rulings apply to all participants in the investment. Product Rulings relate only to the tax consequences of the investment. They do not involve any ATO assurance as to the investment's commercial viability, that charges are reasonable, appropriate or represent industry norms, or that projected returns will be achieved or are reasonably based. A Product Ruling only applies if the arrangement is carried out in accordance with the information provided to the ATO.

## **Promoters**

'Promoters' is a general term which can include investment scheme designers, the principals behind schemes and their managers, and those involved in the marketing and promotion of schemes.

## **Tax Rulings**

Tax rulings provide the ATO's view on general matters of tax law (such as the deductibility of expenditure in relation to investment schemes, for instance). These have wider application than Product Rulings which relate to single investments.