

Priyanka Luecke



From: Elizabeth Meiklejohn
Sent: Tuesday, 6 August 2019 8:29 AM
To: Priyanka Luecke
Subject: FW: Leasing of Vehicles via Super Fund

Elizabeth Meiklejohn SSA CA
Senior Associate



Justification of 8%



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From: Brad Hoffman <BradleyH@virtusuper.com.au>
Sent: Monday, 5 August 2019 11:19 AM
To: Catherine McCourt <catherinem@mtaccountants.com.au>; Edward Glasson <EdwardG@mtaccountants.com.au>
Cc: Elizabeth Meiklejohn <ElizabethM@virtusuper.com.au>
Subject: RE: Leasing of Vehicles via Super Fund

Hi All

We need to put this arrangement on market terms. We can't just assume that 8% would represent a market rate. Unsecured rates are obviously significantly higher than secured rates. However, as the ATO accepts the RBA's indicator lending rates for the LRBA Safe Harbour guidelines, I assume that they will also accept those rates in this context. Below are the latest rates. If we are going to go with 3 year fixed, unsecured, I'd be happy going with 8.00% pa.



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From: Brad Hoffman <BradleyH@virtusuper.com.au>

Sent: Monday, 5 August 2019 8:27 AM

To: Edward Glasson <EdwardG@mtaccountants.com.au>

Cc: Catherine McCourt <catherinem@mtaccountants.com.au>; ElizabethM - External <Elizabethm@virtusuper.com.au>

Subject: RE: Leasing of Vehicles via Super Fund

Sure thing, Ed.

Brad Hoffman

Associate Principal

PS – We are always open for new business so please pass on our details to any friends, family or colleagues whom would benefit from our s



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From: Edward Glasson <EdwardG@mtaccountants.com.au>

Sent: Sunday, August 4, 2019 9:14 PM

To: Brad Hoffman <BradleyH@virtusuper.com.au>

Cc: Catherine McCourt <catherinem@mtaccountants.com.au>

Subject: FW: Leasing of Vehicles via Super Fund

Hi Brad

Are you able to work with Mark to confirm the numbers and process.

8% might be ok on the basis the loans won't be secured. Leave it with you to work through.

Thanks

Ed



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Edward Glasson | Director

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From: Mark Muller | Active Medical Supplies <Mark@activemedicalsupplies.com.au>

Sent: Friday, 2 August 2019 8:39 AM

To: Edward Glasson <EdwardG@mtaccountants.com.au>; Clyde Muller | Active Medical Supplies <Clyde@activemedicalsupplies.com.au>

Cc: Catherine McCourt <catherinem@mtaccountants.com.au>; Bradley Hoffman - External <BradleyH@virtusuper.com.au>

Subject: RE: Leasing of Vehicles via Super Fund

Hello Ed

Agree, borrowing the money from the SMSFs to purchase the trucks in the business will be a simplest way.

Would prefer over 3 years with no residual @ min 8%.

Below are values as I understand, excluding any liabilities

31.07.2019	Cash	Southgate - New valuation	Millenium - New valuation	Total	5% lending capacity
GM&JJ Mul Super	\$1,334,221.00	\$3,750,000.00	\$2,400,000.00	\$7,484,221.00	\$374,211.05
Mul Fam Super	\$1,176,877.00		\$800,000.00	\$1,976,877.00	\$98,843.85
Total	\$2,511,098.00	\$3,750,000.00	\$3,200,000.00	\$9,461,098.00	\$473,054.90

Regards

- > Mark Muller
- > Director
- > mark@activemedicalsupplies.com.au



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From: Edward Glasson <EdwardG@mtaccountants.com.au>

Sent: Thursday, 1 August 2019 9:25 PM

To: Mark Muller | Active Medical Supplies <Mark@activemedicalsupplies.com.au>

Cc: Catherine McCourt <catherinem@mtaccountants.com.au>; Bradley Hoffman - External

<BradleyH@virtusuper.com.au>

Subject: RE: Leasing of Vehicles via Super Fund

Hi Mark,

Based on our discussions with Brad and the understanding of what Mark is trying to achieve within the SMSF and the family group as a whole, it would be our recommendation to borrow the money from the SMSFs and purchase the trucks in the business rather than leasing them from the SMSF. This will be much more cost effective from a compliance perspective (minimal tax benefit for the business either way) and allow for easier access to funds from the SMSFs in the future if necessary.

We have put together two proposed scenarios (based on the full potential \$300k borrowing – if you would like this split between the SMSFs at this stage let me know) to show how it would look if the funds were lent and repaid over 5 years with no residual loan balance and secondly, repaid over 5 years with a 20% residual. We have used an average interest rate of 6.5% based on current market data for equipment financing, but a reasonable range at the moment would be 6%-8%.

Option 2 with a residual payout will give rise to additional interest to be paid over the 5 year proposed period but will mean reduced cash being transferred into the SMSF until the final payout. Wording of the loan agreement could allow for additional loan repayments or early payout of the loan (with or without penalty interest) however we would need to ensure that from an SMSF compliance perspective this would be the same terms offered in an arms-length transaction.

If you would like to discuss the proposed options in more detail feel free to give either Brad or ourselves a call.

Thanks

Ed



Edward Glasson | Director

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From: Mark Muller | Active Medical Supplies <Mark@activemedicalsupplies.com.au>

Sent: Thursday, 25 July 2019 1:20 PM

To: Bradley Hoffman - External <BradleyH@virtusuper.com.au>; Clyde Muller | Active Medical Supplies <Clyde@activemedicalsupplies.com.au>

Cc: Edward Glasson <EdwardG@mtaccountants.com.au>; ElizabethM - External <Elizabethm@virtusuper.com.au>; Catherine McCourt <catherinem@mtaccountants.com.au>

Subject: RE: Leasing of Vehicles via Super Fund

Hello Brad

Thank you for your prompt attention.

That sets it out well, the whole intent is to –

- Bring to account on AMS P&L the real cost of contumely purchasing vehicles with reserve funds.
- Increase returns for super funds.

Given the possibility of needing superfunds to purchase another building at an unknown date, the loan arrangement appeals and looks to give same nett result.

Appreciate further advise.

Regards

- Mark Muller
- Director
- mark@activemedicalsupplies.com.au



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From: Brad Hoffman <BradleyH@virtusuper.com.au>
Sent: Thursday, 25 July 2019 12:54 PM
To: Mark Muller | Active Medical Supplies <Mark@activemedicalsupplies.com.au>
Cc: Edward Glasson <EdwardG@mtaccountants.com.au>; Elizabeth Meiklejohn <ElizabethM@virtusuper.com.au>; Catherine McCourt <catherinem@mtaccountants.com.au>
Subject: Leaving of Vehicles via Super Fund

Hi Mark

As discussed on the phone today:

- It is possible for SMSFs to lease depreciating assets back to a related party, however:
 - The lease must be on commercial terms (as to documentation, repayments, term, etc); and
 - The total amount of assets subject to such an arrangement (called “in-house assets”) is limited to 5% of the market value of the SMSF.
- The GM & JJ Muller Superannuation Fund has a balance of a little over \$6m, so it could potentially lease assets worth up to \$300,000 to a related party.
- Additionally, up to the 5% limit, the Fund can either buy new assets or buy assets from the related party and lease them back. For related party acquisitions, the purchase price would be the assets’ market values (which is not necessarily their depreciated value).
- I spoke briefly with Ed and he mentioned that, in the alternative, the super fund could simply loan the operating company the money, on a principal and interest repayment agreement (once again, on arm’s length terms and limited to a total of 5% of the Fund value).
- It does take a bit more time and money to manage and process lease transactions vs loan repayments, so unless you have a strong preference for one method over the other, we will do some calculations as to whether a lease, plus extra accounting costs, versus a loan (principal & interest) creates a larger net deduction over, say a 5 year term. We will let you know the outcome.
- We also need to bear in mind that, if it’s more expensive to account for lease vs loan, that expense will be multiplied by two (one for the lessor and one for the lessee).
- Part of this conclusion may depend on whether we are able to choose between an operating lease vs a finance lease for tax purposes, as one style of arrangement may be more beneficial than the other. However, I am not an expert in this area, so will ask Marsh Tincknell to have a look at the options.
- I should note that these in-house asset restrictions do not apply to business real estate, so there is no problem in a related party leasing back business premises.

So, in summary, we can certainly find a way to fund at least part of the fleet. It would just be a question of determining the most cost and tax effective way of doing it. In that regard, we will get back to you shortly.

Kind Regards

Brad

Brad Hoffman
Associate Principal

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