PAPER 1

REFINANCING THROUGH THE USE OF TAXATION PLANNING

A brief summary of matters covered in a paper presented to the Legal Research Foundation — May 1982

by

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1. We are living in turbulent times, partially due to the effect of inflation and the uncertain world situation.

2. Disclosed corporate profits require major adjustments to compensate for inflation, and major profit increases by leading companies are having very little effect on share market prices. Share market prices on average are less than three-quarters of the disclosed asset backing of the companies concerned.

3. Liquidity and cash flow are becoming more important than earnings as a positive cash flow means survival, whereas profitability without cash flow can mean disaster.

4. Taxation could be regarded as a 'business expense' or as a distribution from profits that have been earned - should taxation be regarded as a cost of operating a business?

5. An emotional area of taxation planning - tax avoidance and tax evasion.

6. Lease or purchase decisions - taxation advantages and non balance sheet disclosure.

7. Off-shore borrowing - taxation treatment of currency gains and losses.

8. Corporate restructuring - particular emphasis on the family group of companies or the private company.

9. Family trusts - the income spreader.

10. Superannuation funds - traditional corporate funds and funds for the family and for the self-employed.

11. Capital structuring - convertible notes and specified preference shares.

12. Front end loadings - structuring a loan to maximise taxation advantages.

13. Government handouts - a brief comment on incentives and subsidised industries.

14. Acquisitions - the effect of 'Big is Beautiful'.

15. Tax shelters - taxation planning for the self-employed.
