

SOUTH AUSTRALIAN THOROUGHBRED BREEDERS INC.



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CARRAZZO CONSULTING – WHAT IS A HORSE TAX BUSINESS?

Easily the most frequently asked question asked of myself and the horse tax team at Carrazzo Consulting is: "Are my horse racing/breeding activities a business for tax purposes"?

This is understandable, as the answer to this question will determine:

- Whether horse expenses are deductible; and
- Whether a horse activity is eligible for GST registration.

Given that many of you are now in the process of gathering your tax records to do your 2010 tax returns, I thought this was an opportune time to provide you with a current update on this crucial horse tax issue, especially as these factors keep changing the more the ATO looks into the industry.

For your reference, I list below the primary factors the Australian Tax Office (ATO) wants demonstrated for a business of thoroughbred racing/breeding to be accepted:

- whether the activity has a significant commercial purpose or character;
- whether the taxpayer has more than just an intention to engage in business
- whether the taxpayer has a purpose of profit as well as a prospect of profit from the activity;
- whether there is repetition and regularity of the activity;
- whether the activity is of the same kind and carried on in a businesslike manner such that it is directed at making a profit;
- the size, scale and permanency of the activity.
- existence of a breeding property;
- if the activity started with limited numbers, is their consistent growth in the scale of the activities (e.g. increase in mare numbers and/or foals);
- whether the activity is better described as a hobby, a form of recreation or a sporting activity;

- prior horse industry experience;
 - the keeping of proper records;
 - the existence of a business plan evidencing long-term viability;
 - time expended on the activity;
 - are mares being regularly serviced;
 - progeny must be sold on a commercial basis;
 - stallions used need to have market appeal (commerciality);
 - is progeny being regularly sold in order to generate a profit;
 - are stallion rights (if applicable) being utilised;
 - registration of a business name;
 - establishing a separate bank account;
 - the use of experts and consultants; and
 - does the taxpayer have control of the stock?
- N.B. You need not demonstrate all of these factors, however the existence of a horse taxation business is enhanced by the activity demonstrating as many of these factors as possible.

It should also be noted:

- It is very difficult to have a "stand-alone" racing activity (i.e. without integrated breeding activities) accepted as a "business" with the ATO;
- Having the horse activity conducted via a trust or company does not automatically mean it will be accepted by the ATO;
- No longer does a breeding activity need six quality mares to be accepted as a business; and
- An activity with losses can be accepted if it has been the result of "unforeseen events", e.g. drought, EI, mare infertility, stock injuries/defects/deaths etc.

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RAMPAGING RETURN FROM REBEL RAIDER

Dual Derby winner Rebel Raider showed he was on track for a lucrative spring campaign with a stunning first up win in the Group Three Spring Stakes (1200m) at Morphettville on August 14.

Ridden off the speed, as expected, by regular rider Clare Lindop, Rebel Raider was able to unwind in the straight and race clear for a length and three quarter win. The five-year-old hadn't raced since finishing fifth in the CS Hayes Memorial Cup - a short autumn campaign after missing last year's spring carnival through injury.

Lindop, who'd ridden the son of Reset to his wins in both the Victorian and South Australia Derbies, was delighted to see one of her favourite horses back to his best.

"I was a little bit surprised I guess," Lindop said. "But I did give him a good chance - particularly when the field dropped away at acceptance time." "He'd been working well and I think he's better now than he has been for a couple of years. Obviously he's had his share of problems so it was great to see him perform like he did."

Lindop said co-trainers Leon Macdonald and Andrew Gluyas would wait a few days at least to see where their star will race next.

"I know that the Penny Edition in Adelaide was always on the agenda - but Leon and Andrew

will see how he pulls up - he might even wait three weeks between runs and head to the Makybe Diva Stakes."

A graduate of Mill Park in South Australia, Rebel Raider was purchased by Macdonald for \$150,000 at the 2008 Magic Millions Gold Coast Yearling Sale. The outstanding galloper has won six of his 19 starts and earned his connections over \$1.393 million. Five of Rebel Raider's wins have been at stakes level. By Zabeel's unbeaten son Reset he is one of three winners, from three runners, for the Dehere mare Picholine.

A winner in Brisbane and Sydney, Picholine was second in a Group One Flight Stakes and third in a Group Three Spring Stakes at Newcastle. As well as Rebel Raider, Picholine has produced the Group Three Norman Robinson Stakes winner Shamoline Warrior. Also on the pedigree page is Queensland Oaks winner A Little Kiss and Hong Kong superstar Able One.

Rebel Raider's sire Reset has been represented by no fewer than 121 winners including fellow stakes winners Set for Fame, Saxford, Likefatherlikeson and Moulin Lady.

HORSE OF THE YEAR NOMINATIONS

The South Australian Thoroughbred Breeders committee have selected their Horse of the Year candidates for the second quarter.

Joining Majestic Music, Lords Ransom and Augusta Proud will be:

CATAPULTED

2005 Ch. G (Catbird-Siren Miss by Umatilla)
Breeder(s): Mill Park, Mr R Dinham, Mrs H Dinham
BRC QTC Cup G2 1300m
SAJC DC McKay Stakes G3 1100m
VRC The Straight Six L 1200m
2nd SAJC The Goodwood G1 1200m

LITTORIO

2004 B G (Bellotto-Our Centasea by Centaine)
Breeder(s): Mrs V Klaric
STC The BMW G1 2400m

VERY DISCREET

2005 B M (Exceed and Excel-She's Discreet by Euclase)
Breeder(s): Mr D Peacock
ObkRC Oakbank Stakes L 1100m
3rd SAJC The Goodwood G1 1200m



Blevic

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SOUTH AUSTRALIAN THOROUGHBRED BREEDERS INC.

Bellotto, retired from stud duties at the end of 2009, finished the 2009/10 season with his highest rank (45th) of the last five seasons. A top fifty finish after nearly two decades at stud is testimony to the both the success and consistency enjoyed by the son of Mr. Prospector throughout his career.

Aged 26, Bellotto must be considered one of the most successful sons of Mr. Prospector to stand at stud in Australia with 45 stakes winners to his credit and some 515 winners of over \$38 million across eleven countries.

A versatile sire he has produced Group One winners at each end of the racing scale like sprinters Zip Zip Aray and Bellzevir, stayers My Brightia, Exalted Time and Bullwinkle and of course his weight for age performer of recent seasons Littorio.

Not surprisingly his daughters have done well at stud placing their sire 26th on the broodmare sires list for the season with 74 winners of over \$2.5 million. Collectively his daughters have produced the winners of over \$36 million including 25 stakes winners the calibre of CONISTON BLUEBIRD (NZ Derby), MISS DANEHILL (QLD Oaks), PENTASTIC, EXTRA ZERO, VORMISTA, BESAME MUCHO etc.

Blevic finished the season as South Australia's leading active sire, again posting his best finish for several season in 48th position - less than \$80,000 behind Bellotto in earnings - with 80 winners of over \$2.3 million. He saved his best for last with chief earner STREETCAR MAGIC recording his first stakes victory in the Listed Reliance Petroleum Stakes on the very last day of the season.

He opened the new season well when four year old Moudre scored an impressive win at Flemington on August 7. A winner of five of his eleven starts Moudre is tipped to be a big improver this spring with winning Flemington rider Craig Williams drawing a parallel with Alcopop who was of course produced by a daughter of Blevic.

Lindsay Park's **Good Journey** enjoyed a similarly good start to the season with Miles Above successful on the same Flemington card. He actually produced four winners from four consecutive starters between the 3rd and 8th of August - Freshwater Journey (Geelong), Road To Finnis (Gawler), Miles Above and Mr Griswold (Cranbourne).

Kambula Stud welcomed their first foal on July 23, the first born in the state, when the Sadler's Wells mare Endearment foaled a filly by Haradasun (pictured above).

Shown just two days of age this filly is a member of the second crop of foals by Haradasun, a three time Group One winner and half-brother to Elvstroem.



SA STALLION STANDINGS

South Australian stallions occupying a place in the top 200 on the general sires premiership at the close of the 2009/10 racing season.

#45 Bellotto (USA), \$2,444,235
Littorio, \$1,300,000

#48 Blevic (AUS), \$2,366,731
Streetcar Magic, \$181,350

#147 Fraar (USA), \$800,186
Tradesman's Choice, \$80,785

#159 Good Journey (USA), \$720,131
Sound Journey, \$124,900

#162 Akhadan (AUS), \$698,328
Arinos, \$113,100

#173 Face Value (AUS), \$656,039
Silent Surround, \$97,100

#175 Planchet (AUS), \$651,324
Zuboyne, \$114,650

#199 Gallo di Ferro (USA), \$531,828
Stanzout, \$154,100

GET WELL SOON

A special mention to long time SATB member and friend Dean Solomon who has had a few hiccups this year, the latest a hip injury. Best wishes for a speedy recovery Dean!

MEMBERSHIP RENEWALS

Don't forget to renew your South Australian Thoroughbred Breeders membership for the 2010/11 season. If you are interested in joining the SATB contact Elaine in the office on (08) 8297 0733.

5RPH SATURDAY MORNINGS

At 7.45am
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WILLOW GROVE STALLION PARADE

Willow Grove introduced their new stallion MINT LANE who will be standing at their Woodside property beside MUGHARREB for the 2010 season, at their open day on Sunday 1st August.

MINT LANE had only arrived at Willow Grove 10 days earlier and his condition and temperament impressed the crowd of over 90 people who braved the cold rainy weather to attend. The beautifully bred son of Maria's Mon out of the Conquistador Cielo mare Sister Girl is a very athletic type and the quote of Headly Bell of Mill Ridge Farm, Kentucky says it all 'Mint Lane is a very handsome individual with few markings, beautiful balance and intelligent head. His family goes back to the foundation mare Kamar. I think he has every licence to be an excellent stallion prospect and would encourage breeders to use him, mostly for his natural talent, courage, handsome looks and foundation family'.

MUGHARREB Gone West - Marling looks in superb condition and has produced winners such as Blueharreb, Olivia Lass, Harreb Lady, Fossicking and Oakbank Rise to name a few and also the recent Singapore winner Catch Me Now.

Linda, Tim and Ralph Satchell must be congratulated on the way they presented their stallions and also on the superb lunch that was greatly appreciated by all who attended.

Pictures courtesy Jenny Barnes
Mint Lane (top 2), Mugharreb

