

BMD 2015 Budget Factsheet

This year's budget has placed a great emphasis on encouraging investment by small business, with the hope that this will promote better employment prospects and boost the general economy. At this early stage the Budget announcements are just that, announcements only. We will have to wait until the various measures are passed by both Houses of Parliament and we see the final legislation, before we really know the fine detail. However, in the meantime we take this opportunity to give you a summary of what is **proposed**.

Small Businesses (turnover under \$1 million)

1. **An immediate tax deduction for depreciable assets up to \$20,000:**

Depreciable items acquired and installed ready for use between 12 May 2015 and 30 June 2017 will qualify for an immediate 100% deduction rather than being depreciated over a number of years, provided they cost less than \$20,000 each excl GST. Items such as cars, bikes, forklifts and generators are some examples. The item does not have to be new. Farm sheds may qualify as well (because they are depreciable). This measure is extremely important, as it is to apply from 12 May 2015, and will have a significant affect on tax planning decisions for the current year.



2. **Small Business Company Rate Reduced to 28.5 cents:**

From 1 July 2015 a reduction in the current company tax rate of 30% to 28.5% will apply to all small businesses operating as a company. This means that a company with a taxable income of \$100,000 in 2015-16 will pay \$28,500 tax instead of \$30,000.

3. **A 5% tax discount for small business individuals not using a Company:**

The Government has recognized that not all small businesses use a company to run their enterprise. As from the 2015-16 tax year small businesses, including those operating as sole traders, partnerships or trusts will receive a 5 per cent tax discount – capped at \$1,000 a year. That is, tax payable by individuals that is attributable to business income will qualify for a 5% discount. So if you had \$16,000 tax payable related to business income you should qualify for an \$800 discount.

4. **Start up Expenses:**

An immediate deduction will be available for businesses that incur certain professional related expenses associated with starting a business.. Expenses such as legal and accounting will qualify. The measures will apply from 1 July 2015. Currently, such start-up costs may be required to be deducted over a 5 year period.

5. **Capital Gains Tax Rollover Relief:**

This applies to businesses that change their legal structures. The breadth of the rollover remains to be seen as no real detail was provided in the budget papers. However it appears to be the case that changes in structure from, for example, a company back to a trust, or a sole trader to a trust may attract the relief. The changes will only apply from 1 July 2016.



All Primary Producers

6. **Drought Assistance:**

The Government will provide \$250 million to continue the Drought Concessional Loan Scheme and the Drought Recovery Concessional Loan Scheme for another year. A further \$25 million will help reduce the impact of pest animals in drought-affected areas.

7. **Accelerated Depreciation for Farmers (2016-17):**

All primary producers will be able to claim an immediate tax deduction for water facilities and fencing from 1 July 2016. Also, the cost of fodder storage assets e.g.

silos and hay sheds will be able to be written off over three years. NOTE: The accelerated depreciation for farmers now applies as from 13 May 2015.

Other Proposals

8. **Car Claims for individuals:**

There are currently four methods for claiming car expenses. Log book, cents per km, 12% of cost and 1/3 of actual costs. From 1 July 2015 the last two options will be removed. The cents per km rate will become one set rate of 66 cents per km up to a maximum of 5,000kms. So if you travel more than 5,000kms and want a larger tax deduction you may need to keep a log book.

9. **More FBT free tax incentives for employees:**

From 1 April 2016, the Government will allow an FBT exemption for small businesses that provide employees with more than one qualifying work-related portable electronic device, even where the items have substantially similar functions.

10. **Holiday workers/ Backpackers:**

The government will change the tax residency rules from 1 July 2016 (i.e. the 2017 income year) to treat most people who are temporarily in Australia for a working holiday as non-residents for tax purposes, regardless of how long they are here. This means they will be taxed at 32.5% from their first dollar of income (up to \$80,000).



11. **Age Pension Assets Test:**

As detailed by the Minister for Social Services in the week before the Budget, the social security asset test thresholds and taper rates will be rebalanced effective from 1 January 2017. In a move which will mean more people qualify for a full pension, the value of the assets an individual can have in addition to the family home and still qualify for a full pension will be increased from \$202,000 to \$250,000 for single home owners and from \$286,500 to \$375,000 for couple home owners.

Pensioners who do not own their own home will be entitled to an increase in their threshold to \$200,000 more than homeowners. However, the rate at which pensions are reduced once these thresholds are exceeded will be increased from \$1.50 per \$1,000 of assets over the asset test threshold to \$3 per \$1,000 of assets over the assets test threshold. This means that the assets which couples can hold in addition to their home to qualify for a part pension will be reduced from \$1.15m to \$823,000. For single home owners, the threshold will be reduced from \$775,000 to \$547,000. Pensioners who lose their pension entitlement on 1 January 2017 as a result of these changes will automatically be issued with a Commonwealth Seniors Health Card (or a Health Care Card for those under Pension Age).



12. **Superannuation Access and Terminal Medical Conditions:**

Individuals can access their superannuation, regardless of their age, where they are suffering from a terminal medical condition. Under the current rules, to be regarded as having a terminal medical condition, an individual must obtain certification that they have less than 12 months to live. The Government will amend the legislation with effect from 1 July 2015 to extend this period to 24 months. Presumably the Government will also amend the income tax legislation to provide that a payment within the extended 24 month period is tax free, as is currently the case with payments in the 12 month period.

Information in this factsheet has been sourced from the Australian Government and at the time of producing this factsheet had not yet been passed through parliament. We strongly recommend you talk to your accountant before making any significant purchases or financial decisions, as everyone's situation is different.

