

BUDGET // 2015-16

KEN*NOTES

NEWSLETTER

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BUDGET AT A GLANCE

The Federal Treasurer Joe Hockey has handed down the 2015-16 Federal Budget with welcomed relief for small businesses.

KEY ANNOUNCEMENTS

- Fringe Benefits Tax and Managed Investment Trusts
- GST and Luxury Cars Tax
- Small Business Tax Rate Cuts
- Small Business Accelerated Depreciation Changes excludes GST
- Immediate Deduction for Business Establishment Costs
- Measures Encouraging Business Start-Ups
- CGT Relief Reforms
- Accelerated Depreciation for Primary Producers
- Broader FBT Exemption
- FBT: Meal and Entertainment for Not-For-Profit employees
- Claiming Motor Vehicle Expenses
- Medicare Levy Low Income Threshold Increased
- Families Package: Reforms to Child Care System
- End of Family Tax Benefit Part A

We hope this budget summary assists our clients in gaining an understanding of possible implications of the proposed budget measures. Should you require any further clarification of any items in the Budget, please do not hesitate to contact the Kennedy & Co Team.

INDIVIDUALS AND FAMILIES

- From 1 July 2015 "Fly In Fly Out" and "Drive In Drive Out" workers will no longer be eligible for the zone tax offset where their normal residence is not within a "zone".
- Children in childcare will need to keep up-to-date with their childhood immunisations for their families to be eligible to receive subsidised child care or the year end Family Tax Benefit Part A;
- From 1 July 2016 individuals will no longer be entitled to apply for the existing Parental Leave Pay (PLP) while receiving any employer paid parental leave entitlements.

SMALL BUSINESS TAX RATE CUTS

- The tax rate for companies with an aggregated annual turnover of less than \$2m will be reduced by 1.5% (i.e. from 30% to 28.5%) from the 2015/16 income year. The maximum franking credit rate for a distribution will remain at 30%.
- Further, a 5% tax discount will be introduced for individual taxpayers with business income from an unincorporated business, such as a sole trader, trust or partnership, that has an aggregated annual turnover of less than \$2m. This measure will also apply from the 2015/16 income year.
- The discount will be capped at \$1,000 per individual for each income year.

SMALL BUSINESS ACCELERATED DEPRECIATION CHANGES

- The threshold below which small businesses can claim an immediate deduction for the cost of an asset they start to use or install ready for use will be temporarily increased from the current \$1,000 to \$20,000.
- The \$20,000 excluding GST threshold will apply for assets acquired and installed ready for use between 7.30pm (AEST) 12 May 2015 and 30 June 2017. It is available for small businesses with an aggregate annual turnover of less than \$2m.

IMMEDIATE DEDUCTION FOR BUSINESS ESTABLISHMENT COSTS

- An immediate deduction will be available for professional expenses that are associated with starting a new business, such as professional, legal and accounting advice or legal expenses to establish a company, trust or partnership.
- The deduction will be available to start-up businesses from the 2015/16 income year.
- Currently, such expenses are deductible over five years under s 40-880 of the Income Tax Assessment Act 1997, the blackhole expenditure provision

MEASURES ENCOURAGING BUSINESS START-UPS

- Business registration processes will be streamlined with a single online portal (business.gov.au) developed for business registration and company registration, making it quicker and simpler to set up a new business. A start up business will no longer need an Australian Company Number or business Tax File Number but can use its Australian Business Number to interact with the ATO and ASIC. The new portal (expected to be implemented by mid-2016) will provide all the relevant information and have integrated customer support.

CGT RELIEF REFORMS

- Small businesses may change the legal structure of their business without attracting a capital gains tax (CGT) liability from the 2016/17 financial year. The relief will be available for small businesses with an aggregated annual turnover of less than \$2m. The relief will benefit small business owners whereby an alternative structure will better suit the circumstances of the business.

ACCELERATED DEPRECIATION FOR PRIMARY PRODUCERS

- All primary producers will be able to immediately deduct capital expenditure on fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills from 1 July 2016. Primary producers will also be allowed to depreciate over three years all capital expenditure on fodder storage assets such as silos and tanks used to store grain and other animal feed.

BROADER FBT EXEMPTION

- The fringe benefits tax (FBT) exemption for work-related portable electronic devices used primarily for work purposes will be expanded from 1 April 2016. Small businesses with an aggregated annual turnover of less than \$2m that provide their employees with more than one qualifying work-related portable electronic device will be able to access the FBT exemption even if the additional items have substantially similar functions as the first device.

FBT: MEAL AND ENTERTAINMENT

- A separate, single grossed-up cap of \$5,000 will be introduced for salary sacrificed meal entertainment and entertainment facility leasing expenses (meal entertainment benefits) for employees of not-for-profits. Meal entertainment benefits exceeding the separate grossed-up cap of \$5,000 can also be counted in calculating whether an employee exceeds their existing fringe benefits tax exemption or rebate cap. All use of meal entertainment benefits will become reportable.

GST AND LUXURY CAR TAX

- The government has released an exposure draft Bill extending the scope of the GST to offshore supplies of services and intangibles to Australian consumers from 1 July 2017. The Tax Laws Amendment (Tax Integrity: GST and Digital Products) Bill 2015 amends the GST Act to make all supplies of items other than goods or real property connected with the indirect tax zone where they are made to Australian consumers subject to GST. This will result in supplies of digital products, such as streaming or downloading of movies, music, apps, games, e-books as well as other services such as consultancy and professional services receiving similar GST treatment whether they are supplied by a local or foreign supplier.

END OF FAMILY TAX BENEFIT PART A

- From 1 July 2016 the Family Tax Benefit (FTB) Part A large family supplement will stop.
- Families will continue to receive a per child Family Tax Benefit (FTB) Part A for each eligible child in their family.

CLAIMING MOTOR VEHICLE EXPENSES

- Changes to claims made for work related motor vehicle expenses will apply from 1 July 2015. Previously there were four methods of claiming car expenses which were:
 1. Log Book method
 2. 12% of market value method
 3. One third of actual car expenses method
 4. Set rate / Business KM method
- As the 12% of market value (2) & One third of actual car expenses (3) methods were only used by a limited amount of tax payers they will be removed. The set rate method (4) will also be modified by removing the classification of your engine size and implementing a flat rate of 66 cents per kilometre.

MEDICARE LEVY LOW INCOME THRESHOLD INCREASED

- The Medicare levy low-income thresholds will be increased from 1 July 2015 as follows:

	2013-14	2014-15
Singles	\$20,542	\$20,896
Couples – no children	\$34,367	\$35,261
Couples – each dependent child/student	\$3,156	\$3,238
Single seniors and pensioners	\$32,279	\$33,044

FAMILIES PACKAGE: REFORMS TO CHILD CARE SYSTEM

- From 1 July 2017 a new Child Care Subsidy will be introduced. Families with annual taxable incomes of up to \$60,000 will be eligible for a subsidy of up to 85% of the actual fee paid with an hourly cap but no annual cap.
- Families with annual taxable incomes above \$60,000 but less than \$165,000 will be eligible for a subsidy of 50% (tapered) of the actual fee paid with an hourly cap but no annual cap. For families with annual taxable incomes above \$180,000 there will be an annual cap of \$10,000 per child.
- Parents must do a minimum of 8 hours a fortnight of work, study or training to qualify for any child care support.

PLEASE NOTE This newsletter is for the general information and exclusive benefit of clients and associates of Kennedy & Co. It contains brief comments not intended to be the basis for decision making nor to be taken as a substitute for specific advice. Please contact Kennedy & Co to discuss any matters that may be relevant to your individual situation. Kennedy & Co also acknowledges information contained in this document was informed by other sources, including: The Australian Government and The Tax Institute.