

2015/16 Budget

1. Changes effective Budget Night – 7:30 pm (AEST) 12 May 2015

1.1 Expanding accelerated depreciation for small business – immediate write-off and small business pool

It will do this by allowing small businesses with aggregate annual turnover of less than \$2 million to immediately deduct assets they start to use or install ready for use, provided the asset costs **less than \$20,000** (currently, an immediate write-off is generally available for assets costing less than \$1,000)

This will apply for assets acquired and installed ready for use between 7.30pm (AEST) **12 May 2015 and 30 June 2017.**

The government will also suspend the current 'lock out' laws for the simplified depreciation rules until 30 June 2017. Currently, these 'lock out' rules prevent small businesses from re-entering the simplified depreciation regime for five years, if they opt out.

From 1 July 2017, the thresholds for the immediate depreciation of assets and the value of the pool will revert back to existing arrangements (which are currently based on a 'less than \$1,000' threshold).

2. Changes effective 1 July 2015 (i.e. 2015/2016 income year)

2.1 Tax cuts for small business – 1.5% tax cut for small companies and 5% discount on income tax payable for unincorporated small business activity

From the 2015/16 income year, the government will deliver a tax cut to all small businesses:

- a. **Reduction in company tax rate** – The company tax rate will be reduced to 28.5% (i.e. a reduction of 1.5%) for companies with aggregated annual turnover of less than \$2 million. Companies with an aggregated annual turnover of \$2 million or above will continue to be subject to the current 30% rate on all their taxable income.

Note that, the current **maximum franking credit rate** for a distribution will **remain at 30%** for all companies, maintaining the existing arrangements for investors, such as self-funded retirees.

- b. **5% discount on tax payable for other taxpayers** – Individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than \$2 million will be eligible for a small business tax discount. The discount will be 5% of the income tax payable on the business income received by an unincorporated small business entity. The discount will be capped at \$1,000 per individual for each income year, and will be delivered as a tax offset.

3. FBT Announcements

3.1 Relaxing the FBT exemption for work-related electronic devices

Currently, an FBT exemption under S.58X of the FBT Act applies in respect of eligible work-related items (e.g., a portable electronic device, an item of computer software, and a tool of trade) In respect of a portable electronic device (e.g. a laptop computer), the FBT exemption generally does **not** apply to multiple items provided by an employer to an employee in the one FBT year, where those multiple items have substantially identical functions.

From 1 April 2016, the government will allow an FBT exemption for small businesses (with an aggregated annual turnover of less than \$2 million) that provide employees with more than one qualifying work-related portable electronic device, even where the items have substantially similar functions. It appears that, consistent with the current rules, the FBT exemption will only apply if the relevant item is primarily for use in the employee's employment.

Removing the restriction that a tax exemption is only provided for one work-related portable electronic device of each type will remove confusion where there is a function overlap between different products (such as between a tablet and a laptop).

4. Other Budget Announcements

4.1 Recovery of HELP repayments from overseas debtors

The government will extend the *Higher Education Loan Programme* ('HELP') repayment framework to debtors residing overseas for six months or more if their worldwide income exceeds the minimum repayment threshold at the same repayment rates as debtors in Australia.

The new arrangements will apply from 1 January 2016 to new and existing debts. From this date, debtors going overseas for more than six months will be required to register with the ATO, while those already overseas will have until 1 July 2017 to register. Repayment obligations will commence from 1 July 2017.

4.2 Change to the asset test thresholds for the aged pension

The government will increase the asset test thresholds at which pensions are reduced once the threshold is exceeded, as follows

- **For a single person** – a full pension may be received if the relevant value of included assets (.e. assets other than excluded assets) is less than \$250,000 for a homeowner (currently \$202,000)
- **For a pensioner couple** – a full pension may be received if the relevant combined value of included assets is less than \$375,000 for a homeowner (currently \$286,500)

Non-home owner pensioners will also benefit by an increase in their threshold to \$200,000 more than homeowner pensioners.

However, the current 'taper rate' at which the age pension begins to phase out will be increased from \$1.50 to \$3 for every \$1,000 of assets over the relevant assets test threshold.

Pensioners who lose pension entitlements 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 Age Pension age.

4.3 Medicare levy low income thresholds for 2014/15

For 2014/15, the Medicare Levy low income thresholds will be as follows:

- Individuals \$20,896 (previously \$20,542)
- Families \$35,261 (previously \$34,367)

The families income threshold (i.e. \$35,261) will be increased by \$3,238 (previously \$3,156) for each dependent child or student.

For single seniors and pensioners, the threshold will be increased to \$33,044 (previously \$32,279)

If you have any further queries or enquires regarding the attached information please do not hesitate to contact one of our staff.