

ATO reminder – What's new for small business?

Editor: The ATO has issued a timely reminder before the end of the financial year on the changes announced in last year's Budget.

Instant asset write-off – simpler depreciation rules

Small businesses can immediately deduct the business portion of most (new or secondhand) assets if they cost less than \$20,000 and were purchased between 7:30pm on 12 May 2015 and 30 June 2017.

From 1 July 2017, the threshold will return to \$1,000.

Accelerated depreciation for primary producers

From 12 May 2015, primary producers can immediately deduct the costs of:

- fencing – previously deducted over a period up to 30 years; and
- water facilities – previously deducted over three years.

They can also deduct the cost of fodder storage assets over three years, instead of 50 years.

Small business restructure roll-over

From 1 July 2016, small businesses will be able to change the legal structure of their business without incurring any income tax liability when assets are transferred by one entity to another.

This roll-over basically applies to:

- CGT assets;
- trading stock; and
- depreciating assets used, or held ready for use, in the course of carrying on a business.

FBT changes for work-related devices

From 1 April 2016, small businesses will not incur an FBT liability if they provide their employees with multiple work-related portable electronic devices that have similar functions.

These include devices that are primarily used for work, such as laptops, tablets, calculators, GPS navigation receivers and mobile phones.

Small business income tax offset

From the 2015/16 income year, an individual is entitled to a tax offset on the tax payable on the portion of their income that is from:

- net small business income from sole trading activities; and/or
- their share of net small business income from a partnership or trust.

The income tax offset can reduce the tax payable that relates to the individual's small business income by 5% (up to \$1,000) each year.

The ATO will work out the offset based on the total net small business income reported in a client's income tax return.

Company tax cut for small businesses

For income years commencing on or after 1 July 2015, the small business company tax rate has been reduced from 30% to 28.5%.

The maximum franking credit that can be allocated to a frankable distribution is unchanged at 30%, even if a small business is eligible for the 28.5% tax rate.

Editor: If you need to discuss any of the above please contact our office – preferably before 30 June.

GIC and SIC rates for June quarter

The ATO has published the 2016 June quarter rates for the General Interest Charge (GIC) and the Shortfall Interest Charge (SIC):

GIC annual rate	9.28%
GIC daily rate	0.02535519%
SIC annual rate	5.28%
SIC daily rate	0.01442623%

New rules for selling property over \$2 million

From 1 July 2016, new rules will apply to sales of taxable Australian property (e.g., real estate) with a market value of \$2 million or above.

A 10% non-final withholding tax may be applied to **all** contracts to sell such property entered into on or after 1 July 2016.

Australian resident vendors selling such property will need to obtain a clearance certificate from the ATO prior to settlement to avoid the 10% non-final withholding tax.

Editor: This new 10% withholding tax was really only intended to apply to non-residents selling Australian property.

*However, it equally applies to **Australian resident vendors** and forces them to obtain a clearance certificate from the ATO to, in fact, prove that they are Australian residents.*

Generally speaking, clients will be affected for sales of residential and commercial properties, or companies or trusts that hold such properties.

2016/17 Federal Budget

The government handed down the 2016/17 Federal Budget on Tuesday 3rd May.

It included (among many changes) proposed personal income and company tax cuts from 1 July 2016, the extension of GST to all imports (irrespective of value) from 1 July 2017, an increase in the small business entity ('SBE') turnover threshold from 1 July 2016, and many superannuation changes.

The main ones being:

- With immediate effect, the government will introduce a \$500,000 lifetime non-concessional contributions cap (taking into account all **non-concessional** contributions made on or after 1 July 2007), to replace the existing non-concessional contributions cap.
- From 1 July 2017, the government will allow individuals with a superannuation balance of less than \$500,000 to make additional **concessional** contributions where they have not reached their concessional contributions cap in

previous years. Only unused amounts accrued **from 1 July 2017** can be carried forward, and can only be carried forward on a rolling basis for a period of five consecutive years.

- From 1 July 2017, the government will remove the tax exemption on earnings of assets supporting Transition to Retirement Income Streams. Earnings from these assets will be taxed at 15%.
- From 1 July 2017, the government will introduce a **\$1.6 million** 'superannuation transfer balance cap' on the total amount of accumulated superannuation an individual can transfer into pension phase. (Under current law, if a fund member moves from accumulation phase into '**pension phase**', earnings on assets supporting the pension are generally **tax-free** in the fund.)
- From 1 July 2017, the government will lower the annual cap on **concessional** superannuation contributions to **\$25,000**. Until this time, the existing concessional contributions caps, being \$30,000 for those aged under age 50 years, and \$35,000 for those aged 50 years and over, will apply.
- From 1 July 2017, the government will remove the current restrictions (in particular, the 'work test') on people aged 65 to 74 from making superannuation contributions for their retirement.
- From 1 July 2017, the government will change the law to allow **all** individuals (not just the self-employed) under age 75 (apart from members of certain prescribed funds) to claim an income tax deduction for personal superannuation contributions.
- From 1 July 2017, the government will lower the threshold at which high income earners pay additional contributions tax of 15% **from \$300,000 to \$250,000**.

Of course, they are all dependent on the Turnbull Government winning the election on 2 July and the legislation then surviving Parliament after that.

Editor: We'll keep you informed!

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.