

JUNE 2015 ISSUE 14

What does the 2015 Federal

BUDGET

mean to you?



NOVABP

Business, Super & Taxation

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HI EVERYONE,

Well the "Have a go!" Federal budget appears to have been better received than last year's tough budget with more chance of getting its proposals through the Senate. The guiding philosophy behind this budget appears to be political realism.

It is based on the expectation of solid and higher than expected growth, lower than expected unemployment and driven by lower

energy prices and continued low interest rates. There was an increase in funding for child care, a raft of changes for business owners, a definite squeeze on pensioners and minimal changes for self-funded retirees, all of which we have outlined below.

This federal budget is still "flavoured" by the tough measures imposed last year and should be viewed in that context.

Here at Novabp we have had a really successful

year. We have recently renovated our offices here at Hamilton in Newcastle. Our team, (Ashleigh Scott & Amber) now manage the administration and audit of over 35 self-managed super funds and the book keeping of over 20 Xero based businesses mostly from the Hunter Region, as well as the taxation and business mentoring for hundreds of business and individual clients.

Ashleigh Cook has recently become a Director of the business and brings a wealth of

superannuation and book keeping experience into the role.

Thanks again for the great referrals throughout the last year which has enabled our practice to continue to grow. As usual, if we can improve our service to you please let us know. If there are any questions relating to these recent budget proposals please don't hesitate to contact one of our team.

Now, onto budget and monetary matters . . .

INDIVIDUALS

The government has not announced any changes to the current personal tax rates which stand at:

2015 ~ 2016	
Threshold	Rate
0 to \$19,400	Nil
\$19,401 to \$37,000	19% on amounts over \$19,400
\$37,001 to \$80,000	\$3,344 + 33% on amounts over \$37,000
\$80,001 to \$180,000	\$17,534 + 37% on amounts over \$80,000
\$180,000 +	\$57,878 + 45% on amounts over \$180,000

Add to these rates the new Medicare rate of 2%.

The 2% "budget deficit Levy" still applies for incomes over \$180,000 up to 2017.

UNEMPLOYMENT BENEFITS

- ▶ Young people under twenty five, will now only wait one month for the dole instead of six months after the government dropped a measure from last year's budget at a cost of \$1.85 billion over five years.
- ▶ Foreign backpackers (from mid-2016) will be treated as non-residents and will be taxed at 32.5% from the first dollar of income.

CHILDCARE

- ▶ There are now new means and activity tested single childcare payment to replace existing childcare subsidies from July 1st 2017. The result is most middle income families are slightly better off, but will have to wait two years until it kicks in.
- ▶ The current system will be replaced by a single child care subsidy of between 50 to 80% of the parent's childcare fees, based on their income. The subsidy will apply to a maximum daycare fee of \$115 per day (parents will have to pay the "gap fee" if the child care center charges over \$115 per day). There will be an increase in the cap to \$10,000 a year per child for high income earners.
- ▶ The government will clamp right down on "double dipping". You will not be able to draw a maternity leave payment from your employer as well as a Centrelink paid parental leave payment. This will be banned and is estimated to save the government \$1 billion.
- ▶ The government is pushing ahead with the family tax benefit changes in last year's budget such as cutting off Part B payments when your youngest child turns six (forecasted saving \$9.4 billion per year).

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BUSINESS

ACCELERATED DEPRECIATION

The Government announced to all small businesses (turnover of less than \$2 million) that effective immediately, there was a full write-off available for all new business assets (but not stock!) bought costing less than \$20,000. Currently, the threshold sits at \$1,000. Small businesses can apply this \$20,000 rule to as many individual items as they like through to June 30th 2017.

Cars, vans, utes, trailers, tools, machinery, computers, printers etc. are all claimable provided they are used in your business.

The new threshold will also mean small businesses spend less time tracking assets across years for tax purposes. This cuts red tape and allows business owners to focus on running and growing their business.

Assets costing more than \$20,000 can be added together ('pooled') and depreciated at the same rate. These assets are depreciated at 15 per cent in the first income year, and 30 per cent per year thereafter.

If the value of the pool is below \$20,000 until the end of June 2017 it can be immediately deducted too.

These changes are a temporary jump in the threshold and simplify the system greatly.

BUSINESS TAX RATE DEDUCTION

- ▶ There is further good news for small businesses. The company tax rate from July 1st 2015 will reduce from 30% to 28.5% for businesses with a turnover less than \$2 million). The current maximum franking credit for a distribution will remain at 30% for all companies.
- ▶ If you are in business and operating via a trust, partnership or as a sole trader you will receive a small business tax discount of 5% of the tax payable on your business income. This discount is capped at \$1,000 per individual for each income year and can be claimed as a tax offset for that year.

WORK RELATED CAR EXPENSES

- ▶ There have been four methods by which taxpayers can claim the tax deduction for work related car expenses: the cents per kilometre (up to 5,000 kms), log book method, 12% of original value method, and one-third of actual expenses method.
- ▶ From July 1st 2015 just the first two methods (cents per kilometre and log book method) will be the only two methods available. (The other two methods were used in less than 2% of cases).

NO FBT ON WORK RELATED ELECTRONIC DEVICES

- ▶ Businesses will be able to provide employees with more than one work related electronic

device (e.g. laptop or iPad) and be FBT exempt. (Even if both devices are being used for substantially similar functions). Currently the FBT exemption applies to one item only and these changes will take effect from April 1st 2016.

BUSINESS START-UPS

- ▶ From July 1st 2015 businesses will be permitted to immediately deduct a range of professional expenses associated with starting a new business such as professional, accounting and legal advice incurred.
- ▶ Currently most of these costs are treated as "black-hole" expenses and deducted over five years at 20% p.a.

CGT ROLL-OVER FOR CHANGE IN STRUCTURE

- ▶ From July 1st 2016 small businesses with turnover less than \$2 million to change legal structure without attracting a capital gains tax liability.
- ▶ This measure recognises that some small businesses owners may start out as one type of structure only to change as the business grows.

PRIMARY PRODUCERS

- ▶ The government will allow all primary producers to immediately deduct capital expenditure on fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills. These changes will take effect from July 1st 2016.

SUPERANNUATION



The government did not announce any major new superannuation measures for retirees. It was thought that limited recourse borrowing arrangements within Self Managed Super Funds (S.M.S.F.'s) were going to be reviewed as well as considering a new tax for the top echelon of SMSF's. However, for pensioners, particularly those on the part pension, they did not fare so well.

PENSIONERS

The budget confirms that couples with Assets below \$451,500, not counting the family home, will receive a boost of \$30 to their fortnightly pension.

However, the main changes have seen tighter asset testing, which will scale down the part-pension for each retiree, according to the size of private wealth saved (excluding the family home). These changes will come into effect from January 2017.

The threshold will rise to \$699,000 for couples to receive the full pension, cutting out at \$1.02 million for the part pension. (Provided they do not own their own home). For a single person without a home, the threshold will rise to \$400,000, cutting out at \$747,000 for the part pension.

A home-owning couple will receive the full pension provided their other assets are less than \$451,500.

If the couple own a home the threshold for a part pension will cut

out at \$823,000 (reduced from \$1.15 million). For singles with a home the full pension will be paid to \$289,500, cutting out at \$547,000 for the part pension.

As a result of these proposed changes, a lot of pensioners on a part payment will lose between \$5,000 to \$10,000 p.a.

Those that lose the part pension will be able to retain the Commonwealth Seniors Health Card which offers concessional rates such as healthcare and transport.

SELF-FUNDED RETIREES

There were very few changes for self-funded retirees. The superannuation contributions caps will remain unchanged for 2015-16 with the concessional cap stuck at \$30,000 (or \$35,000 for those aged 49 years or over on 30 June 2015). Similarly, the non-concessional cap (which is set at 6 times the concessional cap) is unchanged at \$180,000 for 2015-16 (or \$540,000 under the bring-forward rule over 3 years).

Thank you all for using the Super Fund Checklist which enables us to

get your SMSF processed as quickly as possible. Ashleigh Cook will be on leave in January and February 2016. We are asking clients to have their Super Fund documents to us preferably during August-November 2015.

Our preferred Auditor has changed their name to Trisuper Auditors from Incentive Accountants. We have been informed there will be no other changes to fees and structure.

The pension rates to be drawn (from your Self Managed Super Fund or SMSF) in the financial year remain the same:

Age	Percentage of account balance			
	2007-08	2008-09	2011-12	2013-14
Under 65	4%	2%	3%	4%
65-74	5%	2.5%	3.75%	5%
75-79	6%	3%	4.5%	6%
80-84	7%	3.5%	5.25%	7%
85-89	9%	4.5%	6.75%	9%
90-94	11%	5.5%	8.25%	11%
95 or more	14%	7%	10.5%	14%

- Age is either at:
 - 1 July in the financial year in which the payment is made
 - The commencement day if that is the year in which the pension or annuity commences.

Just email or phone us if you have any questions relating to this newsletter, or general questions on superannuation, bookkeeping or taxation. We are keen to keep improving our service to you and look forward to seeing you in the new tax year.

Scott, Ashleigh & Amber

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