



# Federal Budget 2015

What the Federal Budget means  
for your personal and business tax.

## The themes for this year's budget are jobs, small business and compliance for multinationals to protect the integrity of Australia's tax system.

This year the Budget will deliver a significant boost to all small businesses through new generous tax concessions, including substantial tax relief for new capital expenditure incurred from Budget night onwards. The Government is seeking to lift the level of small business investment, with a view to generating new jobs and greater economic activity.

### Key initiatives:

- A 1.5% tax cut for small businesses with up to \$2m turnover, bringing the tax burden on small businesses down to the lowest level in 50 years;
- A 5% tax discount of up to \$1,000 per year for unincorporated businesses with annual turnover of less than \$2m;
- An instant tax deduction for each and every asset up to \$20,000 for businesses with annual turnover of less than \$2m;
- Accelerating depreciation for spending on water, fodder and fencing, which will encourage investment and improve cash flow on farms;
- Initial measures to address the issue of multinational tax avoidance.

### Personal tax

Personal tax measures include:

- No change in personal tax rates.
- Changes to the method in calculating the work-related car expenses deduction. The '12% of original value' and 'one-third of actual expenses incurred' methods will be abolished and the only methods available from 2016 will be the 'cents per kilometre method (a flat rate of 66c per km)' or the 'logbook method'.
- The obligation to make HECS repayments will be extended to those Australian workers who are living overseas.
- A new grossed up cap of \$5,000 was announced for Fringe Benefits Tax (FBT) concessions claimed in respect of public sector doctors, nurses and charity workers on the salary sacrifice of meal and entertainment from 1 April 2016.
- Fly-in fly-out workers will no longer be eligible for the zone tax offset.

### Small business

In a budget that focused on providing measures to assist small businesses, the following were announced:

- A reduction in the corporate tax rate from 30% to 28.5% for companies with turnover of less than \$2m. The rate cut will take effect from 1 July 2015.
- In recognition of the fact that not all small businesses use a company structure, the Government has also announced a 'small business tax discount' of 5% of tax payable on business income received by an individual from a small business entity (capped at \$1,000).
- An immediate deduction for professional fees incurred in starting up a business, such as legal or accounting fees.
- Capital gains tax rollover relief for small business entities that change their legal structure, structure (eg from a sole trader to a trust) without triggering an immediate capital gain. This provides an opportunity for small businesses to revisit structures that may have been the best for them at the time of start-up but may no longer suit their needs.
- An immediate tax deduction for small business assets up to \$20,000 that are acquired between Budget night and 30 June 2017. Assets valued at more than \$20,000 can continue to be placed in the small business depreciation pool and depreciated at 15%.
- An FBT exemption where small businesses provide employees with more than one work-related portable electronic device from 1 April 2016. This is intended to remove confusion where two devices have similar functions.
- A streamlined, one-site, online business registration process will be introduced.

### Primary producers

The following announcements apply to primary producers, and come into effect after 1 July 2016:

- An immediate deduction will be allowed for capital expenditure on fencing and water facilities such as dams, tanks, bores and irrigation channels etc.
- Primary producers can depreciate over three years all capital expenditure on fodder storage assets, such as silos. This will bring forward tax deductions for farmers compared with the current effective lives for those assets (eg the effective life for fences is up to 30 years, and fodder storage assets up to 50 years).

### Integrity measures for multinationals

The Government remains committed to combating multinational corporations that use contrived arrangements as a means to avoid paying Australian tax. To combat this activity, the Government has announced the following:

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- Amendments to Australia's general anti-avoidance regime to give the Commissioner of Taxation the power to investigate activity of this nature, recover the unpaid tax and issue a fine equal to the value of the unpaid tax. The Treasurer has revealed that this measure will initially be targeted at 30 multinational corporations with global revenue in excess of \$1bn.
  - GST will be extended to the importation of intangible services, such as digital products and services by Australian consumers. This initiative, which has been referred to as the 'Netflix' tax, is designed to address the existing inconsistent GST treatment where an overseas-based supplier of such services may not charge GST when a local supplier of the same type of service is required to charge GST. This initiative will come into effect from 1 July 2017.
  - New transfer pricing documentation standards and country by country reporting will be introduced from 1 January 2016.

### **GST compliance**

The Government will provide the ATO with funding over a three-year period to continue its GST compliance program. This is designed to identify fraudulent GST refunds, under reporting of GST liabilities, failure to lodge GST returns and outstanding GST debts.

### **Important information**

The information contained in this document is of a general nature and is not an advice. NAB is not a registered tax agent. You should seek professional advice on how tax laws apply to you in your specific circumstances.