

## Kingston & Knight Accountants

### Newsletter July 2017 edition – Federal Budget 2017-2018

On Tuesday, 10<sup>th</sup> May 2017, Scott Morrison, our Federal Treasurer delivered his second Federal Budget which expects the economy to expand at a rate of 2.75 percent in 2017/2018 and 3 percent in 2018/2019. Having said that, the Treasurer is forecasting a deficit of \$29.4 billion in 2017/2018 but expecting a surplus of \$7.4 billion in 2020/2021.

The Treasurer is also projecting unemployment to remain at its current level of 5.5 percent along with inflation to remain within the Reserve Bank's 2 to 3 percent range.

The Budget offered some benefits for small businesses such as the extension of the \$20,000 immediate write of depreciable assets for businesses with turnover of up to \$10 million compared to before it was \$2 million. The Government also extended the time frame for this concession to 30 June 2018. The Budget also proposed a tax cut from 30 percent down to 25 percent over the next 10 years for businesses with turnover up to \$50 million.

With the effort of growing our economy and creating jobs, our Government have committed to several infrastructure projects over the next decade costing a total of \$75 billion. These projects focused mainly on road, rail and airport investments. The Budget also targeted Australia's big five banks, multi-national tax avoiders, foreign workers and foreign resident investors. On the other hand, the Budget promised to a number of sectors including health, education and housing affordability.

#### Small business – \$20,000 Small Business Immediate Tax Deduction

- Time frame had been extended to 30 June 2018
- Qualifying aggregated annual turnover threshold had been lifted from \$2 million to \$10 million
- \$20,000 cap is excluding of GST for GST registered businesses and is including GST for non-registered businesses
- Assets can be new or second-hand
- Assets must be first used or installed, ready for use by 30 June 2018
- After 30 June 2018, the immediate write off threshold will restore back to \$1,000
- The write off asset is for the 'taxable purpose proportion', hence, the business percentage use of the asset during the financial year
- There some exclusions to the qualifying assets including horticultural plants, capital work assets such as building construction cost, and assets leased to another party on a depreciating asset lease
- Assets cost more than \$20,000 can be allocated to a pool and depreciate at rate of 15 percent in first year and 30 percent in the subsequent years.



While the \$20,000 immediate write off concession sounds appealing to small business owners, we strongly recommend you seek our advice before spending up to \$20,000 for any asset for the purpose of claiming a tax deduction as there are other issues which need to be considered beforehand.

### Small Business CGT Concessions

Starting 1 July 2017, the in access to small business Capital concessions can only be used in business or ownership interest in



Government will impose restrictions Gains Tax (CGT) concessions. CGT relation to assets used in small small business.

Small business CGT concessions will businesses with an aggregated annual turnover of less than \$2 million or net assets of less than \$6 million.

continue to be available to small

### Company Tax Rates

Companies are looking at benefiting from reduction in their tax rate from previously 30 percent to 25 percent in the next 10 years.



Please note that these proposed changes are yet to be approved by house of representatives.

Those businesses operating though a family trust structure that distributes profits to a corporate beneficiary will not be able to benefit from these tax cuts. Hence, corporate beneficiary would still be taxed at 30 percent as the company is not classified as a business.

Financial Year	Company Aggregated Annual Turnover	Company Tax Rate
2016/2017	Less than \$10 million	27.50%
2017/2018	Less than \$25 million	27.50%
2018/2019	Less than \$50 million	27.50%
2019/2020-2023/2024	Less than \$50 million	27.50%
2024/2025	Less than \$50 million	27.00%
2025/2026	Less than \$50 million	26.00%
2026/2027	Less than \$50 million	25.00%

## Employing Foreign Workers

Additional levy will apply to employers hiring foreign workers on certain skilled visas starting from March 2018.

Businesses of turnover less than \$10 million will require to pay \$1,200 visa per year plus a one-off \$3,000 for each employee permanent Employer Class 186) visa or a Sponsored Migration visa.



Businesses of turnover \$10 million or more will require to pay \$1,800 upfront payment for each visa per year plus a one-off upfront payment of \$5,000 for each employee.

Business Turnover	Levy – Temporary Skill Shortage Visa	Levy – Permanent Visa Pathway (Subclass 186 & 187)
Less than \$10 million	\$1,00 per year	\$3,000 one-off payment
\$10 million or more	\$1,800 per year	\$5,000 one-off payment

## Taxable Payments Reporting Systems (TPRS) extends to Courier and Cleaning Industries



From 1 July 2018, courier and cleaning industries are required to lodge an annual report

with the ATO disclosing payments made to contractors for the financial year by August 2019.



## Abolishment of travel expense deduction for rental properties



Firstly, no more claiming of travel expenses for rental properties starting 1 July 2017. However, this new measure does not apply to commercial property landlords or residential landlords who engage real estate agents to perform property inspections.

Secondly, from 1 July 2017, deductions of depreciating removable type assets, typically plant and equipment acquired with an existing residential property will be limited. Depreciation deductions will only be available for newly

acquired assets incurred directly by the owners. This new measure is effective as at 1 July 2017 for plant and equipment acquired after 9 May 2017.

## Individual Tax Rates

No changes to personal income tax rates and that the 2 percent Temporary Budget Repair Levy will end on 30 June 2017.



Taxable Income	Tax Payable (excluding 2% Medicare Levy)
\$0 - \$18,200	0%
\$18,201 - \$37,000	19% of excess over \$18,200
\$37,001 - \$87,000	\$3,572 plus 32.5% of excess over \$37,000
\$87,001 - \$180,000	\$19,822 plus 37% of excess over \$87,000
\$180,001 and over	\$54,232 plus 45% of excess over \$180,000

## Increasing Medicare Levy

From 1 July 2019, from 2 percent to 2.5

This is estimated to deliver revenue to help facilitate Insurance Scheme. is also a way of replacing generated from Temporary



Medicare Levy will increase percent.

\$8.2 billion of additional National Disability Increase in Medicare Levy the loss of revenue of Budget Repair Levy.

	2016/2017 Threshold
Singles	\$21,655 (previously \$21,335)
Families	\$36,541 + \$3,356 for each dependent child
Single Seniors and Pensioners	\$34,244 (previously \$33,738)
Family Seniors and Pensioners	\$47,670 + \$3,356 for each dependent child

## HELP Schemes



Financial Year	Min Repayment Threshold	Min Repayment Rate	Max Repayment Threshold	Max Repayment Rate
2017/2018	\$55,874	4%	\$103,766	8%
2018/2019	\$42,000	1%	\$119,882	10%

## Superannuation

### Concessional Contribution Caps

For 2016/2017, concessional contribution cap was at \$30,000 for individuals who was 49 years old and under and \$35,000 for those who were over 49 years old.

From 1 July 2017, concessional contribution cap will be at \$25,000 for all ages.

### Contributing Proceeds from Downsizing to Superannuation

From 1 July 2018, individuals aged 65 or over can make a non-concessional contribution of up to \$300,000 from the proceeds of selling their principal place of residence. That residential place must have been owned for the past 10 years or more. These contributions are in addition to the existing contributions currently permitted.

This proposed legislation is to be exempted from the existing age test, work test and the \$1.6 million balance test for non-concessional contributions that otherwise prohibit the contributions being accepted by the superannuation fund under the current rules.

At this stage, a lot of details to this proposed legislation remain unclear, such as:

- The definition of downsizing
- Whether you will be required to contribute the actual proceeds from the property sale
- Whether the contribution amount will be \$300,000 each or per couple.



## First Home Super Saver Scheme

From 1 July 2018, individuals will be able to withdraw voluntary contributions made to super after 1 July 2017 for a first home deposit under First Home Super Saver Scheme. Voluntary contributions include non-concessional personal contributions, concessional personal contributions, and salary sacrifice contributions.

Individuals can  
\$30,000 of personal  
associated deemed



The withdrawal of  
and earnings will be  
30 percent tax offset.

withdraw a maximum  
contributions plus an  
earnings amount.

concessional contributions  
taxed at marginal rates less

Members of a couple will each have access to the scheme taking contributions of up to \$60,000.

Self-employed individuals or employees who are not able to access salary sacrifice can claim tax deductions on personal contributions.

## Goods and Services Tax (GST)

From 1 July 2018, purchasers of new residential properties and land in new subdivisions to remit GST of sales directly to ATO as part of settlement prices (currently it is the seller's duty).

From 1 July 2017, government will align GST treatment of digital currency (eg, BitCoin) with money to ensure that purchases of digital currency are no longer subject to GST (hence eliminating issue of digital currency consumers currently being subject to paying GST twice).

