



May 2015 Newsletter

With the recent budget release, this edition of the newsletter is predominantly focused on “what’s in it for you?” The changes listed below are effective from 12 May 2015 at 7.30pm unless individually stated. With clients always looking for ways to increase their wealth base, we’ve had a number of enquiries about developing properties especially with interest rates at a record low and expected to remain there for the next three years while the government finds ways of stimulating the economy. For those of you who are considering your options around this field, I suggest you attend our next Rental Property Seminar which is scheduled for Tuesday 16 June at 7pm. This information will give you an idea of what documentation is required in order to maximize your investment as well as other items you need to take into consideration.

Budget changes

Small business benefits - up to \$20,000 write off

There are some positives for small business with the threshold for immediate write off increasing to \$20,000 for businesses with aggregate annual turnover of less than \$2 million. This significantly expands the scope of the previous \$1,000 write off limit and is effective immediately until June 2017 after which the arrangement will revert back to the previous \$1,000 threshold. For assets above this \$20,000 amount, you can continue to be depreciated at 15% in the first year and 30% for each subsequent year. This opportunity will enable small businesses to bring forward the purchase of items which will stimulate expansion plans.

Small business benefits - Tax Cuts

From 1 July 2015 in addition there will be small business tax cuts. This includes a reduction in the company tax rate of 1.5% which will be reduced to 28.5% for companies with aggregated annual turnover of less than \$2 million. There is no change for companies with turnover beyond \$2 million which are subject to the current 30% rate. The most exciting benefit is that the current *maximum franking credit rate* for a distribution will remain at 30% for all companies. This will reduce personal tax payable for most business owners. 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 of *5% of the income tax payable* on the business income received by an unincorporated small business entity. This discount is capped at \$1,000 per individual for each income year and will be delivered as a tax offset.

Primary Producers

In a post budget announcement as of 27 May 2015, 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. Currently the effective life for fences is up to 30 years, water facilities 3 years and fodder storage assets is up to 50 years so this is a great bonus. In addition you will be able to depreciate capital expenditure on fodder storage assets used to store grain and other animal feed such as silos & tanks over 3 years.

Temporary working holiday makers

Currently a working holiday maker can be treated as a resident for tax purposes providing they satisfy the tax residency rule (residing in Australia for 6 plus months) which enables them to access the tax-free threshold and the lower rate of 19% for income up to \$37,000. From 1 July 2016, working holiday makers will be treated as non-residents regardless of how long they are here and will be taxed at 32.5% from their first dollar of income (up to \$80,000). The onus on collecting this will be on the employer so beware. If you are hiring staff on the black market, I suggest there will be more ATO staff employed to follow up this is being adhered to.

Medical Clinicians – FBT Meal Entertainment

From April 2016, there is a big change proposed for the Medicos FBT. A separate single grossed-up cap of \$5,000 will be implemented for salary sacrificed meal entertainment and meal entertainment benefits. Should these benefits exceed the \$5,000 cap, they will be counted in calculating whether an employee exceeds their existing relevant cap and all benefits will become reportable.

Collecting HELP repayments from Overseas debtors

Previously if you were employed overseas you could defer your obligations to repay HELP debt. The new arrangements consider that once your worldwide income exceeds the minimum threshold at the same repayment rates as debtors in Australia, you will be obliged to make repayments as residents and applies to new and existing debts. If you are planning on going overseas for 6 plus months from 1st January 2016, you will be required to register with the ATO while those already overseas will have until 1 July 2017 to register. Regardless, repayment obligations commence from 1 July 2017.

Families - Parental Leave Pay PLP

The current system allows individuals to double dip and access both government assistance PLP as well as employer-provided parental leave entitlements. From 1 July 2016, the government will remove this by taking payments from both their employer and the government into account. This ensures that all primary carers would have access to PLP that are at least equal to the maximum PLP benefit which is currently 18 weeks at the national minimum wage.

Child Care (workforce participation stream)

Single Child Care Subsidy CCS will be introduced on 1 July 2017. A subsidy of 85% of the actual fee paid up to an hourly fee cap will be eligible to families meeting the activity test with annual incomes up to \$60,000 (2013/2014 dollars). The subsidy will taper to 50% for eligible families with annual incomes of \$165,000. There will be no annual cap for families with annual incomes less than \$180,000. Should your income be beyond that, there will be a cap at \$10,000 per child per annum and a new activity test will identify eligibility. This new CCS method will replace the current child care fee assistance provided by the Child Care Benefit, Child Care Rebate and the Jobs, Education and Training Child Care Fee Assistance payments which will cease on 30 June 2017. Additional support will be provided to eligible disadvantaged or vulnerable families through the introduction of a Child Care Safety Net. A new Interim Home Based Carer Subsidy Program will be introduced as a limited pilot program to subsidise care provided by a nanny in a child's home from 1 January 2016.

Pensioners - Asset test threshold changes- Huge Drop for Part Pensions

Asset test thresholds changes for a part aged pension have reduced massively from \$1.15 million to \$823,000 for couples or \$775,000 to \$547,000 for singles. There is extra help for lower income people.

Singles Full pension may be received if the relevant value of included assets is less than \$250,000 for a homeowner (currently \$202,000)

Couples 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. Taper rate at which the 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. Should you be under the Aged Pension age and lose entitlements on 1st January 2017 as a result of these changes, you will automatically be issued with a Commonwealth Seniors Health Card or a Health Care Card.

Property Seminar

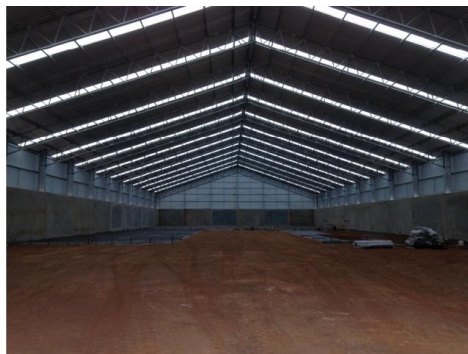
Places are available for the next Property Seminar scheduled for Tuesday 16th June 2015 at 7pm. Topics that will be addressed include deductions, repairs versus capital, CGT, tax planning techniques, ownership options and subdivision issues. These issues are explained to assist you to plan the best financial and taxation structures for your property investment. As always, David's easy to read notes will be available in the take home package. Supper will be provided and you will be able to ask questions within the interactive forum.

Annual Leave

Please note that David's annual break before the new financial year will commence on Saturday 27 June until his return into the office on Monday 20 July. All end of year commitments will be attended to prior to his departure but if you have something coming up that you would like to discuss, please make an appointment well before his departure.

Andrew Gray (another Clever Client)

Farmer, businessman and father Andrew Gray has been merging his love of the land together with his trade building large commercial and industrial sheds with a size range from 600 m² to 5 acres. He often oversees sites beyond Mildura and as far as Singleton, William Creek, Sydney, Newcastle and throughout New South Wales. Since 2005 he has been a client of this firm and we have guided him throughout the expansion of his business to developing an external enterprise building large commercial and industrial sized sheds offering protection for sale yards, private indoor equine facilities and factories (including the local Kyneton Biscuit Factory on Saleyards Road). The largest shed he has built is 5.5 acres for the Lamattina Carrot Processing Plant in Robinvale but he has also built the Colac Saleyards 8,000 m² and Riordan Grain Sheds at East Balliang 3-4,000 m². His next project is Stage 1 (of 5) for the new Hamilton Sale yards which will cover 8,000 m². If you need large commercial premises and are looking for someone with 20 plus years experience, Andrew is the person to talk to. His contact details are Mobile 0407 560 725.



Grain Shed - East Balliang



Grain Shed – East Balliang



Aquatic Horse Marina – Eliza Pk Romsey



Torquay Primary School



Colac Sale Yards



House Frame – Mt Beauty

Our energetic, knowledgeable and caring approach gives peace of mind.

If you need further information or to discuss your specific circumstances, please call David or Sean at our office.

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