

Small Businesses Win in 2015 Federal Budget

Small businesses, those with turnover less than \$2 million, were the big winners in the federal budget. Some of the notable announcements for small businesses were:

- 1. Reduced Corporate Tax Rate**
From 1 July 2015 the company tax rate for small businesses reduces to 28.5%, a cut of 1.5%.
- 2. Small Unincorporated Businesses Tax Cuts**
For small unincorporated business (e.g. sole traders) with less than \$2 Million annual turnover, a 5% discount on income tax will apply from 1 July 2015 capped at \$1,000 per individual. This will apply as a tax credit in the income tax return.
- 3. FBT Exemption**
All work related portable electronic devices to become exempt from FBT.
- 4. Accelerated Asset Write Offs**
As of 12 May 2015 all small businesses can claim a full tax deduction on any individual assets purchased costing up to \$20,000. There is no limit to the number of assets purchased and it can be applied to any assets used for business purposes. This will apply until 30 June 2017.
- 5. Capital Gains Tax Relief**
No Capital Gains Tax on the restructure of any small business.
- 6. New Business Concessions**
100% Tax deduction for professional services costs in establishing a new business.

Other Relevant Announcements

- Changes to Age Pension Asset Tests.
- Changes to Family Payments Eligibility including child care rebates.
- Various Welfare changes and a commitment to reducing welfare fraud.

- Limits on Salary Packaging of Meal Entertainment by FBT exempt or concessional entities i.e. Public Hospitals.
- Changes to deductions for car expenses, new flat cents per kilometre rate of 66c.
- Various changes to large corporate/multinational entity taxes.
- Application of GST on digital products provided to Australian's by non residents.
- Primary producers entitled to immediate deductions for capital expenditure on fencing and water facilities. Fodder storage assets to be depreciated over three years.

Did you know?

A \$10 shift in the iron ore price moves Australia's GDP by 0.8%

The Government has estimated the iron ore price to be \$48/Tonne for future budget projections. The current price is \$63/Tonne.

Australia's 30% Tax rate has created a competitive disadvantage for small to mid sized businesses

The rates applicable in some of trading partners are as follows:

- China, Malaysia and Indonesia (25%)
- Singapore (17%)
- New Zealand (28%)
- UK (21%)

Australian Mid-size businesses have a combined turnover of over \$1.1 trillion

An estimated \$241 billion is injected into the economy from wages and salaries alone.

The Government is encouraging Free Trade Agreements

China, Japan, Korea and India plus others, are spending \$5 Billion in infrastructure investments in northern Australia.

How can you benefit from these changes?

- Acquire:** A \$5,700 tax saving (or \$6,000 in 2015 year) could be yours, just by purchasing equipment for \$20,000 if your small business operated in a company structure (annual turnover < \$ 2 Million).
- Restructure:** Review your structure and ensure its tax, operational effectiveness & succession planning without triggering a CGT event.
- Grow:** Thinking of expanding into another state or overseas? All professional service costs on establishment are 100% deductible.

Get in touch with us....

Contact Lombardi Partners to discuss how the Federal Budget impacts you and your business and complete your year end tax planning as 30 June is just around the corner!

Joseph Lombardi

Partner

Phone: +61 3 9328 5300

Email: joseph@lombardipartners.com.au

Patricia Jones

Partner

Phone: +61 3 9328 5300

Email: patricia@lombardipartners.com.au