

# Practice Update

Please read this update and contact this office if you have any queries

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## ATO reminder – What's new for small business?

*Editor: The ATO has issued a timely reminder before the end of the financial year on the changes announced in last year's Budget.*

### Instant asset write-off – simpler depreciation rules

Small businesses can immediately deduct the business portion of most (new or secondhand) assets if they cost less than \$20,000 and were purchased between 7:30pm on 12 May 2015 and 30 June 2017.

From 1 July 2017, the threshold will return to \$1,000.

### Accelerated depreciation for primary producers

From 12 May 2015, primary producers can immediately deduct the costs of:

- fencing – previously deducted over a period up to 30 years; and
- water facilities – previously deducted over three years.

They can also deduct the cost of fodder storage assets over three years, instead of 50 years.

### Deductions for professional expenses for start-ups

From 1 July 2015, small businesses are entitled to certain deductions when starting up a small business.

The range of deductible start-up costs includes professional, legal and accounting advice, and government fees and charges.

### Small business restructure roll-over

From 1 July 2016, small businesses will be able to change the legal structure of their business without incurring any income tax liability when assets are transferred by one entity to another.

This roll-over basically applies to:

- CGT assets;
- trading stock; and
- depreciating assets used, or held ready for use, in the course of carrying on a business.

### FBT changes for work-related devices

From 1 April 2016, small businesses will not incur an FBT liability if they provide their employees with multiple work-related portable electronic devices that have similar functions.

These include devices that are primarily used for work, such as laptops, tablets, calculators, GPS navigation receivers and mobile phones.

### Small business income tax offset

From the 2015/16 income year, an individual is entitled to a tax offset on the tax payable on the portion of their income that is from:

- net small business income from sole trading activities; and/or
- their share of net small business income from a partnership or trust.

The income tax offset can reduce the tax payable that relates to the individual's small business income by 5% (up to \$1,000) each year.

The ATO will work out the offset based on the total net small business income reported in a client's income tax return.

### Company tax cut for small businesses

For income years commencing on or after 1 July 2015, the small business company tax rate has been reduced from 30% to 28.5%.

The maximum franking credit that can be allocated to a frankable distribution is unchanged at 30%, even if a small business is eligible for the 28.5% tax rate.

*Editor: If you need to discuss any of the above please contact our office – preferably before 30 June.*

## ATO sounds warning to super funds with 'collectables'

The ATO is warning trustees of SMSFs who hold investments in collectables\* or personal-use assets\*, acquired before 1 July 2011, that time is running out for those items to be transferred out of the fund under the old rules.

*Editor (\*): Basically, collectables and personal use assets are things like artworks, jewellery, vehicles, boats and wine. Investments in such items must be made for genuine retirement purposes, not to provide any present-day benefit.*

From 1 July 2011, investments in collectables and personal-use assets must have a qualified independent valuation if they are transferred to a related party.

However, items acquired before 1 July 2011 can be transferred to a related party, without a qualified independent valuation, provided the transfer takes place before 1 July 2016, and the transaction is made on an arm's length basis.

*Editor: Again, if any client wishes to take advantage of this window, they should contact us very soon.*

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## Government set to re-think the backpacker tax

*Editor: Basically, the 'backpacker tax', as announced, would see backpackers who work in the agricultural industry during harvest time being taxed at 32.5% from their first dollar of income.*

*Last month, the National Farmers Federation issued a media release slamming the tax and its negative effect on the agricultural industry, which relies heavily on backpackers.*

*It pleaded for a more reasonable tax of about 19%.*

The Deputy Prime Minister and the Assistant Agriculture and Water Resources Minister have announced a review into taxation arrangements for the Working Holiday Maker visa program.

The review's scope will cover taxation and superannuation arrangements under the program.

The review is intended to ensure the right measures are in place to support the two key growth sectors of agriculture and tourism.

*"We know about 40,000 backpackers work in agriculture for a few months each year, the majority in horticulture at seasonal peaks," Deputy Prime Minister Barnaby Joyce said.*

*"The clear aim is to make sure we have a balanced and equitable approach to the tax status for workers here on visas – we do not want to risk a slide into black market employment in agriculture and tourism," Assistant Minister Anne Ruston said.*

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## ATO releases latest business benchmarks

The ATO says that the 2013/14 data is now available for the 'Small business benchmarks'.

The ATO uses these benchmarks as a guide on industry trends to identify businesses that may be avoiding their tax obligations by not reporting some or all of their income.

The ATO says that using the Small business benchmarks can assist with building taxpayers' businesses.

They say that taxpayers should compare their details against similar businesses in their industry and see how competitive they are or where improvements can be made.

*Editor: We can help you find the benchmarks for your industry (if any).*

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## GIC and SIC rates for June quarter

The ATO has published the 2016 June quarter rates for the General Interest Charge (GIC) and the Shortfall Interest Charge (SIC):

GIC annual rate	9.28%
GIC daily rate	0.02535519%
SIC annual rate	5.28%
SIC daily rate	0.01442623%

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

