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## Business Supplement 2015

### Important Dates to Remember

14 July 2015	PAYG Statements should be issued to employees
14 August 2015	PAYG Payment Summary Report to be sent to the ATO
28 August 2015	Taxable Payments Report – Building & Construction Industry

#### PAY

#### SUPERANNUATION GUARANTEE BEFORE

28 July 2015  
28 October 2015  
28 January 2016  
28 April 2016  
28 July 2016

#### QUARTERLY BAS DUE

28 July 2015  
28 October 2015  
28 February 2016  
28 April 2016  
28 July 2016

Dear clients,

In this year's budget, small businesses are the winners starting with an immediate write-off for small business assets costing less than \$20,000.

The government will significantly expand accelerated depreciation for small businesses. It will do this by allowing small businesses with aggregate annual turnover of less than \$2 million to immediately deduct assets they start to use or install ready for use, provided the asset costs **less than \$20,000** (currently, an immediate write-off is generally available for assets costing less than \$1,000). This will apply for assets acquired and installed ready for use between 7.30 pm (AEST) 12 May 2015 and 30 June 2017.

Below is an extract from 'The Taxpayer' publication.

#### Answers to FAQs:

To ease the way for both taxpayers and their advisers trying to get their heads around the tempting initiative, here are some tips (and traps).

#### How does the deduction work?

First of all, it should be noted that the measure is not a cash handout of \$20,000 nor is it some form of investment allowance.

It is a deduction for assets costing less than \$20,000, and may reduce the tax payable by the taxpayer if they have a tax liability for the income year.

For example, say a purchase is made for \$10,000 by a sole trader who is on an effective tax rate of 30%. In this case, that person should be able to reduce their tax liability by \$3,000 from purchasing the asset. Of course, this assumes that the taxpayer had a tax liability to start off with.

#### What constitutes a 'small business'?

Broadly, the immediate write-off is available to businesses which have an "aggregated turnover" of less than \$2 million. This definition can be quite complex in certain situations.

#### Is the \$20,000 threshold inclusive or exclusive of GST?

According to how the current law works, the amount should be the GST exclusive value. Generally, this is the case provided that the small business taxpayer would be entitled to claim an input tax credit on the purchase for GST purposes.

#### When can I claim a deduction?

In order to claim a deduction for the relevant income year, the asset purchased must be used by the business, or is installed ready for use during that year.

The placement of an order at year end for an asset in which possession will be taken in the following income year will not qualify for an immediate deduction until that following year.

#### How do the rules work with vehicle trade-ins?

If a new car costs \$25,000 and the car yard offers to trade in your old car for \$6,000, will that result in a vehicle that comes in under the \$20,000 threshold for immediate write-off?

According to The Taxpayer representative, this is most likely **not** going to be the case. "Based on the current law and how that operates, we don't believe it would be possible to claim that \$19,000 as an immediate write-off," he says. "The way the law is constructed at the moment tells us that the value of that vehicle is still \$25,000, made up of \$19,000 cash plus \$6,000 as a non-cash value, in this case being the trade-in.

#### What happens if the asset is used for both business and private purposes?

For example, say a business operating in the music industry spends \$30,000 on a superior sound system, and uses that sound system for both income generating activities as well as personal pleasure in equal proportion. It is not likely that the business owner could divide the asset value in half and make a claim for \$15,000. Again this is in keeping with the current law.

#### Can a deduction be claimed for second hand assets?

Yes – the measures will apply to new and second hand assets. This is stated in the Tax Office's fact sheet.

An example where a motor vehicle is purchased for \$18,000 and is used 50% for business, the immediate write off would be \$9,000.

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed in the small business simplified depreciation pool ('the pool') and depreciated at 15% in the first income year and 30% each income year thereafter. The pool can also be immediately deducted if the balance is **less than \$20,000** over this period (including existing pools).

From 1 July 2017, the thresholds for the immediate depreciation of assets and the value of the pool will revert back to existing arrangements (which are currently based on a 'less than \$1,000' threshold).

This measure has passed both houses of parliament and is now awaiting royal assent.

### Small Business Tax Cuts from 1 July 2015

Tax cuts for small business – 1.5% tax cut for small companies and 5% discount on income tax payable for unincorporated small business activity.

From the 2015/16 income year, the government will deliver a tax cut to all small businesses:

- (a) **Reduction in company tax rate** – The company tax rate will be reduced to 28.5% (i.e. a reduction of 1.5%) for companies with aggregated annual turnover of less than \$2 million. Companies with an aggregated annual turnover of \$2 million or above will continue to be subject to the current 30% rate on all their taxable income.

Note that, the current **maximum franking credit rate** for a distribution will remain at 30% for all companies.

For example, the taxable income for a company being \$50,000:

Currently, tax payable would be 30% of \$50,000 =	\$15,000
From 2015, tax payable would be 28.5% of \$50,000 =	\$14,250
<b>Saving</b>	<b>\$750</b>

- (b) **5% discount on tax payable for other taxpayers** - 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. The discount will be 5% of the income tax payable on the business income received by an unincorporated small business entity. The discount will be capped at \$1,000 per individual for each income year, and will be delivered as a tax offset.

For example, a sole trader with a taxable income of \$50,000 would pay \$8,547 in tax. Under the new rules, the tax will be reduced by \$427.

### Immediate deduction for professional expenses on commencing a new business

Currently, some professional costs associated with commencing a new business (i.e., black hole expenditure) are deducted over a five-year period under S.40-880 of the ITAA 1997.

From 1 July 2015, the government will allow businesses to claim an immediate write-off for a range of professional expenses associated with starting a new business, such as professional, legal and accounting advice.

### CGT roll-over relief for changes to entity structure

Capital Gains Tax (CGT) roll-over relief is currently available for individuals who incorporate, but other entity

type changes have the potential to trigger a CGT liability. From 1 July 2016, the government will allow small businesses with an aggregated annual turnover of less than \$2 million to change legal structure without attracting a CGT liability at that point. This measure recognises that new small businesses might choose an initial legal structure that they later find does not suit them when the business is more established.

### Changes to Motor Vehicle Rates

Employers are reminded that with the changes to the motor vehicle rates (only 1 rate applies after 1 July 2015 for all vehicle sizes which is 66 cents per kilometre).

If you reimburse your employees for their motor vehicle usage on a cents per kilometre method, adjust the rate to 66 cents per km.

### Tax File Number Declarations

The Tax Office has advised that Tax File Number Declarations in the future will only be a single sheet and will not include a duplicate copy for the employer. It is recommended that you make a copy of the declaration for your own records.

### ATO super crackdown – child care, building, cleaning, pubs

The ATO has identified employers in the following industries as having a higher risk of not meeting their super obligations:

- Child care services;
- Building and industrial cleaning; and
- Pubs, bars and taverns.

The ATO is currently running an education campaign for business owners in these industries to help them better understand their super obligations.

It will be undertaking **audits** from July 2015 of employers who continue to not meet super obligations for their employees.

The ATO is also reminding directors of companies that are required to pay Superannuation Guarantee (SG) for their employees, that they may be **personally liable** for any unpaid or unreported SG Charge liabilities of their companies.

### 2014 online selling data matching program

The ATO will request and collect, from eBay Australia & New Zealand Pty Ltd (a subsidiary of eBay International AG, which owns and operates www.ebay.com.au), online selling data relating to between 15,000 and 25,000 individuals that sold goods and services of a total value of \$10,000 or more for the period from 1 July 2013 to 30 June 2014.

This acquired data will be electronically matched with certain sections of ATO data holdings to:

- Identify individuals and businesses selling goods and services via the online selling site who may not be complying with registration, reporting, lodgement and payment obligations under taxation law, particularly those with undeclared income, and incorrect lodgement and reporting for GST, and
- Enable the ATO to be more strategic in its approach to determine appropriate educational and compliance strategies to encourage voluntary compliance for taxpayers in the online selling market to ensure they meet their taxation obligations.