



BUSINESS BULLETIN

WINTER 2017

TAX – Federal Budget

THE 2017 FEDERAL BUDGET WAS HANDED DOWN IN MAY. FOLLOWING ARE SOME OF THE HEADLINE MEASURES THAT MAY IMPACT YOUR BUSINESS.

Instant Asset Write-Off

The \$20,000 Small Business Instant Asset Write-Off has been extended for another 12 months. Businesses with an aggregated turnover of less than \$10 million will be able to take advantage of the write-off until 30 June 2018 provided that the asset was acquired and installed ready for use in your business by this date. The \$20,000 write-off was originally introduced on 12 May 2015 and originally applied to small businesses with an annual aggregated turnover of less than \$2 million. Recently the write-off was extended to businesses with an aggregated turnover of less than \$10 million for assets that were acquired and installed ready for use from 1 July 2016.

To recap, the instant asset write-off allows small businesses to fully deduct virtually all depreciating assets under \$20,000 (except horticultural plants, in-house software and buildings) in the year that the asset is acquired and installed ready for use in your business – rather than having the deduction spread out over a number of years. If you miss the deadline (i.e. if the asset is not being used in your business or installed ready for use on or before 30 June 2018) then the write-off threshold reverts to \$1,000. Missing the deadline will result in a worse cash-flow outcome for your business than if the deadline is met.

KEY DATES

21 JUNE

Lodge May monthly Activity Statements

1 JULY

Start of the 2017/2018 financial year

14 JULY

Provide payment summaries to employees

21 JULY

Lodge June monthly Activity Statements

28 JULY

Make Superannuation Guarantee contributions

28 JULY

Lodge 4th quarter Activity Statements (if lodging by paper)

14 AUGUST

Lodge PAYG withholding payment summary annual report

21 AUGUST

Lodge July monthly Activity Statements

25 AUGUST

Lodge 4th quarter Activity Statements (if using a BAS or Tax Agent)



Assets costing \$20,000 or over continue to be allocated to a general small business pool and are depreciable at a rate of 15% in the first year, and then 30% in subsequent years. Where the balance of a small business pool falls beneath this \$20,000 threshold, the pool can also be written off. This extends to existing pool balances, so be sure to consider this in both the 2017 and 2018 financial years as part of any tax planning initiatives you are undertaking.

The real benefit from the \$20,000 write-off however, is an improvement to your cash-flow.

The write-off improves small business cash-flow by saving income tax by bringing forward deductions rather than having them spread out over more than one year via a depreciation claim. Cash-flow can be a significant issue for small business, particularly start-ups.

That said, it is important to have perspective. The amount of you recover through the tax system for such a purchase isn't the full value of the asset, it is the marginal rate of tax you are paying multiplied by the asset value. So for example, if you acquire an asset worth \$18,000 GST exclusive in a company with a tax rate of 27.5%, then the tax system relieves

you of \$4,950 in tax that you might have otherwise paid had you not made that purchase. You have outlaid however \$18,000 to recover \$4,950 in tax. Consequently, you should not let tax distort or blur your commercial instincts...

You should continue to only buy assets that fit within your business plan.

As we head towards 30 June, the Small Business Instant Asset Write-Off is a great way for your business to reduce its 2016/2017 tax payable by purchasing a depreciable asset for less than \$20,000 before 1 July and having it installed ready for use by this time.

Access to the CGT Small Business Concessions Tightened

Effective 1 July 2017, the law will be amended to ensure that the CGT Small Business Concessions can only be accessed in respect of assets actually used in a small business or ownership interests in a small business.

By way of background, the CGT Small Business Concessions allow small businesses to reduce, eliminate or rollover capital gains made on the sale

of business assets or the business itself. However, the Budget papers explain that some taxpayers are able to access these concessions for assets that are not related to their small business, for example through arranging their affairs so that ownership interests in larger businesses do not count towards the tests for determining eligibility for the concessions.

The amendments aim to address this to ensure that the Concessions can only be accessed in respect of assets actually used in a small business or ownership interests in a small business. The Budget papers are relatively vague on this measure. For full details, we will need to await the release of the draft legislation.

Note that despite the recent increase to the Small Business Entity (SBE) turnover threshold to \$10 million, this does not apply in relation to accessing the CGT Small Business Concessions. Access to these concessions remains as follows:

- Businesses with an aggregated turnover of less than \$2 million (including the turnover of connected and related entities), or
- People and Businesses with net assets to the value of less than \$6 million.

Businesses to Pay Levy on Certain Skilled Visas

As an incentive to hire Australian workers, from March 2018 businesses that employ foreign workers on certain skilled visas must pay a levy which in turn will provide revenue for a new *Skilling Australians Fund*.

The amount of the levy payable depends on a business's turnover as follows:

- Businesses with a turnover of less than \$10 million must make an upfront payment of \$1,200 per visa per year for each employee on a Temporary Skills Shortage visa, and a one-off payment of \$3,000 for each employee being sponsored for a permanent Employer Nomination Scheme (subclass 186) visa or a permanent Regional Sponsored Migration Scheme (subclass 187) visa.
- Businesses with a turnover of \$10 million or more must make an upfront payment of \$1,800 per visa year for each employee on a Temporary Skill Shortage visa, and a one-off payment of \$5,000 for each employee being sponsored for a permanent Employer Nomination Scheme (subclass 186) visa or a permanent Regional Sponsored Migration Scheme (subclass 187) visa.

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Broader Business Conditions

In good news for the business community, the Budget papers forecast that the economy will rebound and grow at 2.75% in 2017/2018 (up from the current 2.4%); jumping to 3% in 2018/2019. To provide some historical context, average annual economic growth in Australia has been 3.47% from 1960 to 2015.



MORE INFORMATION

Although we've covered the headline measures for business, the Budget runs into hundreds of pages. To view the full Budget papers, visit www.budget.gov.au

MONEY – Pay Off Your Home Loan Sooner

FOLLOWING ARE SOME SIMPLE TIPS TO PAY OFF YOUR HOME LOAN FASTER

Pay Fortnightly

Home loan repayments are generally calculated on a monthly basis, and therefore many borrowers simply choose to pay off their loan making a single monthly repayment (usually debited from their bank account at month-end). However, you do have the option of paying fortnightly. This simply involves paying the equivalent of half of your monthly repayment every 2 weeks. Paying fortnightly allows you to squeeze in the equivalent of one extra repayment per year.

Assume you had a \$400,000 loan with a monthly repayment of \$2,315 over 25 years at an interest rate of 4.9%. By paying fortnightly instead of monthly you could pay off your loan 4 years sooner, and save approximately \$60,000 in interest (assuming the interest rate remains static).

Pay Extra

If you're wanting to make a serious dent in your mortgage, make regular additional payments. If you are not in a position to do so now, you may well be in the future. For example, your salary could increase or you could receive a lump sum windfall (e.g. employment bonus or inheritance).



Offset Your Loan with a Savings Account

An offset account is where you earn interest on the amount in your savings account which is offset against the balance of your home loan. Example: if the amount of your home loan is \$300,000 and you have \$50,000 in your offset account, you will only pay interest on \$250,000, rather than the full \$300,000.

Review

Get a mortgage advisor to periodically review your mortgage. If your current loan is substandard, by refinancing or switching, this can help ensure you have the best product in the marketplace including the lowest interest rate.



HR – Effective Resourcing

Have you ever been in a position where you simply have not been provided with the appropriate resources to effectively do your job? If you have, then you will know it can be very frustrating for employees who are trying to do their best, but simply cannot manage with the resources they have. At a minimum, effective resourcing involves:

- Comfortable working conditions – e.g. space, noise, temperature, ergonomic furniture, access to water coolers / coffee machines etc.
- Adequate equipment and up-to-date technology
- Training and development – do staff have the required knowledge and training to perform their current role?