



QUARTER UPDATE



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PRACTICE UPDATE - September 2017

THIS EDITION

- Removal of the Temporary Budget Repair Levy from the 2017/18 Income Year
- Extension of the \$20,000 SBE Immediate Deduction Threshold
- Change to Deductions for Personal Super Contributions
- New Threshold for Capital Gains Withholding
- More Time to Apply For Natural Disaster Recovery Grants

Removal of the Temporary Budget Repair Levy from the 2017/18 Income Year

The 2% Temporary Budget Repair Levy (or 'TBRL'), which has applied to individuals with a taxable income exceeding \$180,000 since 1 July 2014, is repealed with effect from 1 July 2017.

Up until 30 June 2017, including the TBRL and the Medicare Levy, individuals earning more than \$180,000 faced a marginal tax rate of 49%.

With the benefit of the removal of the 2% TBRL, from 1 July 2017, individuals with a taxable income exceeding \$180,000 face a marginal tax rate of 47% (including the Medicare Levy). Another 1.5% for the Medicare Levy Surcharge is added for certain individuals that don't have Private Health Insurance

Extension of the \$20,000 SBE Immediate

Deduction Threshold

In the 2017/18 Federal Budget handed down on 9 May 2017, the Federal Government announced that it intended to extend the ability of Small Business Entity (or 'SBE') taxpayers to claim an outright deduction for depreciating assets costing less than \$20,000 until 30 June 2018. This Budget Night announcement has now been passed into law.

Prior to the relevant legislation being passed into law, the outright deduction threshold for SBEs in relation to depreciating assets was scheduled to revert back to \$1,000 as of 1 July 2017. Now that this change has become law, the threshold is scheduled to revert back to \$1,000 as of 1 July 2018.

To qualify for an immediate deduction for depreciating assets purchased by an SBE taxpayer costing less than \$20,000, the asset needs to be first used or installed ready for use on or before 30 June 2018.

The 'aggregated turnover' threshold to satisfy the requirements to be an SBE taxpayer has increased from \$2 million to \$10 million, as of 1 July 2016. As a result, more business taxpayers than ever before will be eligible for the \$20,000 immediate deduction for depreciating assets.

Please contact our office if you need any assistance in determining if your business is an SBE, whether an asset purchase you are considering will qualify as a "depreciating asset" and/or what constitutes being "used or installed ready for use".

Change to Deductions for Personal Super Contributions

Up until 30 June 2017, an individual (mainly those who are self-employed) could claim a deduction for personal super contributions where they meet certain conditions. One of these conditions is that less than 10% of their income is from salary and wages. This was known as the "10% test".

From 1 July 2017, the 10% test has been removed. This means most people under 75 years old will be able to claim a tax deduction for personal super contributions (including those aged 65 to 74 who meet the work test).

Eligibility rules

An individual can claim a deduction for personal super contributions made on or after 1 July 2017 if:

- A contribution is made to a complying super fund or a retirement savings account that is not a Commonwealth public sector superannuation scheme in which an individual has a defined benefit interest or a Constitutionally Protected Fund;
- The age restrictions are met;
- The fund member notifies their fund in writing of the amount they intend to claim as a deduction; and
- The fund acknowledges the notice of intent to claim a deduction in writing.

Concessional contributions cap

Broadly speaking, contributions to super that are deductible to an employer or an individual,

count towards an individual's 'concessional contributions cap'.

The contributions claimed by an individual as a deduction will count towards their concessional contributions cap, which for the year commencing 1 July 2017 is \$25,000, regardless of age. If an individual's cap is exceeded, they will have to pay extra tax.

Call our office to discuss the eligibility criteria and tax consequences of claiming a tax deduction for a personal contribution to super for the year commencing 1 July 2017.

New Threshold for Capital Gains Withholding

From 1 July 2017, where a foreign resident disposes of Australian real property with a market value of \$750,000 or above, the purchaser will be required to withhold 12.5% of the purchase price and pay it to the ATO unless the seller provides a variation (this is referred to as 'foreign resident capital gains withholding').

However, Australian resident vendors who dispose of Australian real property with a market value of \$750,000 or above will need to apply for a clearance certificate from the ATO to ensure amounts are not withheld from their sale proceeds.

Therefore, all transactions involving real property with a market value of \$750,000 or above will need the vendor and purchaser to consider if a clearance certificate is required.

More Time to Apply For Natural Disaster Recovery Grants

The application period for Category C Natural Disaster Recovery Grants following Severe Tropical Cyclone Debbie has been extended to **12 January 2018**.

The extension is great news for primary producers, small businesses and non-profit organisations in disaster-declared zones who are still on the road to recovery, allowing an extra three months to finalise claims for clean-up, restoration and repairs.

If you have already received the initial grant amount of \$5,000 you may be eligible for a further \$20,000 - subsequent claims can easily be made through Queensland Rural and Industry Development Authority (QRIDA) online portal by providing evidence of payment for clean-up and restoration costs (including what was claimed under the initial grant). Or freecall 1800 623 946 or visit www.qrida.qld.gov.au for more.

Other assistance...

Two types of Natural Disaster Assistance Loans are also available:

- Natural Disaster Assistance - low interest loans of up to \$250,000 to support eligible primary producers and business owners to re-establish their enterprise, and a loan/grant package of up to \$105,000 for non-profit organisations directly affected by the disaster.
- Natural Disaster Assistance (Essential Working Capital) - low interest loans of up to \$100,000 to support carry-on expenses for eligible applicants who have suffered a significant loss of income as a result of the event.

Under NDRRA, eligible primary producers, small businesses and non-profit organisations must fall within the declared disaster areas as outlined in the latest NDRRA activation notice.

For further details, including information sheets, guidelines and application forms and their new online grants portal, visit www.qrida.qld.gov.au

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.

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