

OUR PHILOSOPHY: Grow our client's business first. It is only through our client's success that we succeed.

BANYAN CONSULTING

TAX PLANNING

Income Tax Changes Reference 2015

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All Businesses

Superannuation guarantee

The superannuation guarantee percentage increased from 9.25% to 9.5% on 1 July 2014. The percentage will remain at 9.5% until 30 June 2021 then progressively increase to 12% over several years.

Tax concessions for certain industries

From 1 July 2014, the following changes apply to the research and development (R & D) tax incentive:

- The incentive is no longer available for companies with an 'annual aggregated assessable income' of \$20 billion or more. (This was originally intended to apply from 1 July 2013).
- The refundable R&D tax offset (entities with aggregated turnover less than \$20 million) is reduced from 45% to 43.5%.
- The non-refundable R&D tax offset (all other eligible entities) is reduced from 40% to 38.5%.

A new Exploration Development Incentive is available for mining exploration expenditure incurred in Australia after 1 July 2014. Conditions apply that limit both the types of entities and types of expenditure that qualify. The incentive creates tax credits, similar to franking credits, that can be distributed to shareholders in subsequent tax years.

Small Businesses

Depreciation and low cost asset deductions

As part of the repeal of the minerals resource rent tax, from 1 January 2014 the threshold for immediate write-off of small plant items was reduced from \$6,500 to \$1,000. The \$5,000 up-front deduction for motor vehicles was also abolished.

Primary Producers

Early finish for Conservation Tillage tax offset

The Conservation Tillage tax offset is not available for equipment first used or installed ready for use after 30 June 2014. It was originally intended to apply until 30 June 2015.

Companies

Loss carry-back

As part of the repeal of the minerals resource rent tax, the ability of companies to carry back tax losses to prior years was abolished for the 2013/14 and later income years.

PAYG instalments

Companies with annual turnover exceeding \$100 million are required to pay monthly PAYG instalments from 1 January 2015.

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Trusts

No specific changes

No new tax measures that relate specifically to trusts have been introduced for the 2014/15 income year.

Individuals

Low Income Super Contribution (LISC)

Low income earners (adjusted taxable income below \$37,000) will continue to benefit from a government superannuation payment up to \$500 until the 2016/17 income year. The proposal to abolish the LISC was not approved by Parliament.

Concessional superannuation contributions cap

The concessional superannuation contributions cap for 2014/15 is:

- \$35,000 for individuals aged 49 or over on 30 June 2014
- \$30,000 for all other individuals.

Non-concessional superannuation contributions cap and changes to taxation of excess contributions

The non-concessional superannuation contributions cap for 2014/15 is \$180,000 (up from \$150,000).

Individuals who have made excess non-concessional contributions can elect to release from their superannuation interest an amount equal to the excess, plus 85% of a deemed 'associated earnings' amount. The full associated earnings amount is included in assessable income and taxed at the individual's marginal tax rate, with a 15% non-refundable tax offset. The excess contributions released are not themselves assessable.

This is all or nothing election, a partial release is not permitted. If the election is not made, excess non-concessional contributions tax is payable by the superannuation fund.

Changes to tax rates

The Medicare levy has increased to 2% for 2014/15.

The 2% Temporary Budget Repair Levy applies to individuals with taxable income above \$180,000. The levy only applies to income in excess of \$180,000, not to the whole taxable income. The levy cannot be offset by non-refundable tax offsets.

Changes to personal tax offsets

The dependent spouse tax offset and mature age worker tax offsets have been abolished.

The dependent (invalid and carer) tax offset was previously unavailable for taxpayers who claimed the zone or overseas forces tax offset (the zone offset was sometimes a higher amount for those taxpayers). From 2014/15 it is possible to claim both tax offsets if the taxpayer meets the conditions.

Other tax changes

Other tax changes that apply for 2014/15 include:

- The thresholds for entry into the PAYG instalment system have been increased.
- A new loan scheme for apprentices, called Trade Support Loans, has been introduced. Loan repayments are collected through the tax system, like HELP (HECS) loans.
- Certain non-resident individuals are taxed at resident tax rates, but are ineligible for certain tax offsets and benefits only available to Australian residents. The Tax Office will make changes in processing 2014/15 income tax returns to ensure this rule is accurately applied.

GST

Recent cases and rulings

In recent months, there have been cases and rulings on a number of GST matters, including brokerage services, bitcoin transactions, sales of land subject to an existing lease, credit/debit card surcharges, incentive payments by motor vehicle manufacturers to dealers and crowd-funding.

CAN WE HELP YOU?

If you have any feedback on any of our services or if there is any way we can assist you further, please contact us at reception@banyanconsulting.com.au or call **02 9968 4644** to book an appointment.

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