

**WSBA SNAPSHOT
FEDERAL BUDGET 2016/17
PROVIDED BY TACTICA PARTNERS**

1. Personal Income Tax Rates

From 1 July 2016 the following individual income tax rates* will apply:

Taxable Income	Tax on this income
0 – \$18,200	Nil
\$18,201-\$37,000	19% of excess over \$18,200
\$37,001-\$87,000	\$3,572 plus 32.5% of excess over \$37,000
\$87,001-\$180,000	\$19,822 plus 37% of excess over \$87,000
\$180,001 and over	\$54,232 plus 47% of excess over \$180,000

* Excluding 2% Medicare Levy

The government has confirmed that the 2% Temporary Budget Repair Levy will expire at 30 June 2017 and therefore the effective top marginal tax rate will reduce to 45%.

2. Small Business Tax Concessions

As a boost for small businesses, the government will extend access to a number of small business tax concessions. The definition of a small business will change by increasing the annual turnover threshold from \$2m to \$10m. These measures will apply from 1 July 2016.

Businesses with turnover below \$10m will now be able to access a range of existing small business tax concessions, including:

- Immediate deduction for prepaid expenses;
- Simplified depreciation rules, including the immediate tax deduction for assets costing less than \$20k (up until 30 June 2017);
- Simplified method for PAYG instalment payments;
- Simplified trading stock rules;
- Immediate deduction for professional expenses;
- The option to account for GST on a cash basis and apply the simplified method of GST instalments payments;
- Fringe Benefits Tax concessions, including exemptions for car parking and work-related portable electronic devices (applicable from 1 April 2017).

The turnover threshold for access to the unincorporated small business tax offset for individuals will increase from \$2m to \$5m. The amount of the tax offset will also increase from 5% to 8% from 1 July 2016, and then increase incrementally to 16% over 10 years. However, the current cap of \$1,000 per year will be retained.

The current \$2m turnover threshold will be retained for access to the small business CGT concessions.

3. Superannuation

3.1 \$1.6m cap on super transfers into retirement products.

From 1 July 2017 a \$1.6m cap has been introduced on the total amount of superannuation an individual can transfer into retirement products, (eg pensions), to limit the profits/earnings that can qualify for the current 0% fund tax rate.

Superannuation balances in excess of \$1.6m can be retained in the super system, but will have to be held as accumulation accounts where the standard 15% fund tax rate will apply on profits/earnings.

For individuals running pensions today with balances that exceed \$1.6m, it is likely you will need to return a portion of your pension assets into accumulation phase – where the 15% fund tax rate will apply on future profits/earnings on these assets in the fund before the start date.

It appears the \$1.6m cap will apply on the total starting balances of all pensions.

3.2 \$500k lifetime non-concessional contributions cap

A lifetime limit of \$500k of after tax (non-concessional) contributions was announced. This will replace the current \$180k/\$540k non-concessional contributions cap.

Contributions made from 1 July 2007 will be counted against this \$500k lifetime limit. If you have exceeded the \$500k cap at Budget night, (i.e. at 7.30pm on 3 May 2016), you will not be required to remove the excess and no penalty will apply.

Any after tax contributions made after 7.30pm on 3 May 2016 that exceed the \$500k limit will need to be removed or a penalty tax will apply.

3.3 Concessional contributions tax increase and reduction in concessional contributions cap

From 1 July 2017, the government will tax concessional superannuation contributions made by individuals with incomes of \$250k or more at 30%, rather than the standard 15% contributions tax rate. Under current rules, the 30% contribution tax rate applies when a person's income exceeds \$300k.

From 1 July 2017 the concessional contributions cap will be reduced from \$30k/\$35k to \$25k.

3.4 Transition to retirement pensions

The announcements include a proposal to remove the tax exemption on profits/earnings in pension accounts where the pension is a transition to retirement pension, from 1 July 2017.

3.5 Tax deductions for personal superannuation contributions

All individuals up to age 75 will be able to claim a tax deduction for personal superannuation contributions irrespective of their employment circumstances from 1 July 2017.

3.6 Removal of 'work test' for superannuation contributions

Contributions to super from 1 July 2017 for people aged 65-74 will be permitted irrespective of that person's working status. Currently a work test must be satisfied before contributions can be accepted. The work test requires the member to have been 'gainfully employed' for at least 40 hours over any 30 day period in the financial year.

3.7 Low income superannuation tax offset

Superannuation funds will also receive a tax offset up to \$500 for contributions tax paid on concessional contributions by low income earners.

4. Staged Reduction of the Company Tax Rates

From 1 July 2016, the tax rate for businesses with an annual aggregated turnover of less than \$10m will be 27.5%. Each year the turnover threshold will be increased to allow more companies to access the lower corporate tax rate as follows:

Income Year	Annual Aggregated Turnover Threshold	Rate (%)
2015/16 (Current Year)	<\$2m	28.5
2016/17	<\$10m	27.5
2017/18	<\$25m	27.5
2018/19	<\$50m	27.5
2019/20	<\$100m	27.5
2020/21	<\$250m	27.5
2021/22	<\$500m	27.5
2022/23	<\$1b	27.5
2023/24	None	27.5
2024/25	None	27.0
2025/26	None	26.0
2026/27	None	25.0

5. GST on Import of Low Value Goods

Currently, goods imported into Australia with a customs value that does not exceed \$1,000 are not subject to GST. We believe that the \$1,000 threshold will be removed.

From 1 July 2017 it is proposed that offshore vendors that have an Australian annual turnover of \$75k or more will need to register for GST and remit GST for supplies of low value goods to consumers in Australia.

6. Passports

Passports will increase by \$20 from 1 July 2017.

7. Other areas affected by the Budget Announcement

There are some other areas that we haven't touched on in our summary however these topics include:

- Simplification of Division 7A
- International Tax
- Customs Duty
- Wine Producers Rebate
- Tax Avoidance
- Other

We would generally recommend you conduct your own review of the budget announcements to understand any implications relating to your circumstances.