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2015/2016 BUDGET UPDATE

Please find below a summary of the some of the more relevant budget announcements that affect tax.

2015/2016 individual tax rates

Taxable income range	Marginal tax rate	
$ 0 - $ 19,400*	0	
$ 19,401* - $37,000	19%	
$ 37,001 - $ 80,000	33%*	
$ 80,001 - $180,000	37%	
$180,001 +	47%	(includes the 2% Temporary Budget Repair Levy)

These rates exclude the 2% Medicare Levy. The effective top personal marginal tax rate is 49.0% including the Medicare levy.

The Temporary Budget Repair Levy applies to individual taxpayers who have a taxable income over $180,000 in the 2014/2015, 2015/2016 & 2016/2017 financial years.

From 1 July 2015, the low income tax offset will reduce from $445 to $300*.

*The Government introduced a bill into the House of Representatives on 16 July 2014 and if passed will keep the $19,400 threshold at $18,200, 33% rate at 32.5% and $300 low income tax offset at $445.

Net medical expenses tax offset

From 1 July 2015, you can only claim the net medical expenses tax offset relating to disability aids, attendant care or aged care (until 30 June 2019).

People with adjusted taxable incomes above the Medicare Levy Surcharge thresholds ($90,000 for singles and $180,000 for couples in 2013/14) will be able to claim 10% of any out of pocket expenses above $5,100 (may be indexed). People with income below the thresholds will be able to claim 20% of any out of pocket expenses above $2,162 (may be indexed).

Motor vehicle deductions

From 1 July 2015, the motor vehicle expense claim methods will be modified so that:

- The ‘12% original value’ and ‘one-third of actual expenses’ methods will be removed;
- The ‘cents per kilometre’ method rate will be set at $0.66 per kilometre (currently $0.65, $0.76 or $0.77 depending on engine size).

Commencing a new business deductions

From 1 July 2015, a range of expenses associated with starting a new business will be an immediate deduction (currently a five year write off).

Small business asset deductions

From 12 May 2015 to 30 Jun 2017, small business entities (with a turnover of less than two million dollars) will be able to immediately write off each eligible business asset they buy costing less than $20,000 per asset (up from $1,000).

Small business tax cuts

From 1 July 2015, individual taxpayers with business income from an unincorporated entity (with a turnover of less than two million dollars) will receive a tax offset to reduce their tax by 5% (capped at $1,000).

Company tax cuts

From 1 July 2015, the company tax rate will be reduced from 30% to 28.5% (for companies with a turnover of less than two million dollars).

First Home Saver Account

From 1 July 2015, the scheme will be abolished with account holders able to withdraw their balances.

HELP debts

From 1 June 2016, the annual indexation will be adjusted from the Consumer Price Index to a rate equivalent to the yields on 10 year bonds issued by the Australian Government (capped at 6%).

Employee superannuation

From 1 July 2015, the super guarantee rate will remain at 9.50%. Previous legislation changing the rate to 10% from 1 July 2015 has been amended to delay this increase until 1 July 2021:

2020/2021	9.50%	2023/2024	11.0%
2021/2022	10.00%	2024/2025	11.5%
2022/2023	10.50%	2025/2026	12.0%

Superannuation concessional contribution limits

A $30,000 limit currently applies to individuals under 50 until the general limit reaches $35,000 (this is expected to happen in 2018/2019 as the annual limit is only indexed in $5,000 increments).

Year	Under 50	50 and over
2014/2015	$30,000	$35,000
2015/2016	$30,000	$35,000

Withdrawal of excess super contributions

Individuals will be allowed to withdraw their excess concessional contributions from their superannuation fund allowing them to be taxed at the individual's marginal tax rate (plus an interest charge) rather than the Excess Contributions Tax rate of 32% on top of the 15% contributions tax paid by the fund.

Important Dates

June 30 is fast approaching so you should ensure that you don't miss out on any tax planning opportunities. Superannuation contributions are critically important as the superannuation contribution limits are based on the amount paid into the superannuation fund during the financial year (not the period that the contribution relates to). If you want to maximise your 2014/2015 superannuation contribution, you need to ensure that the amount has been received by your superannuation fund before June 30.

If you have a SMSF, you should also ensure that any minimum pension payments have been made.

Kind regards,
Nick