2015 Federal Budget – Executive Summary

If you have been asleep for the last year and just woke up, you could be forgiven for thinking that you have woken up on a different planet, in a different country with a different Treasurer. Budget 2015 could not be more different to Budget 2014. Budget 2014 was about the Budget crisis, with a grim Treasurer heralding the end of entitlement and the start of an era of slashing and savings. Budget 2015 is about fairness, families and small business, with a smiling Treasurer encouraging Australia to ‘get out there and have a go’.

Many of the big savings measures had already been announced, but with a nod to the Government’s new god of ‘fairness’, invariably these changes are accompanied by a spoonful (or two) of sugar to help the medicine go down (so the Senate will swallow the changes). As already announced, the Government will reverse the Howard Government’s 2007 changes to the Centrelink assets test taper from 1 January 2017, bringing savings of nearly $1 billion a year. However the Government will make sure those who lose their entitlements will receive the Commonwealth Seniors Health card (or Health Care card for those under age pension age). Further, the Government won’t go ahead with the unpopular changes to pension indexation, income test free areas and the deeming thresholds announced last year.

There was a collective sigh of relief when our new smiling Treasurer announced no new taxes on superannuation (but the super funds will be slugged another $11.6 million each year in additional APRA supervisory levies). Self-managed super funds also dodged a bullet with no mention of implementing proposed changes to limited recourse borrowing arrangements. While there are no new super taxes in this Budget, super and tax reform will remain on the agenda for later this year and 2016, with the Tax white paper and the Government’s response to the Financial Systems Inquiry due.

The Government appears to be banking on small business to lead the recovery and has set out a series of generous new tax concessions for businesses with turnovers of less than $2 million. These include:

- a drop in the corporate tax rate to 28.5 per cent
- immediate tax deductions of up to $20,000 for capital expenses, and
- FBT exemptions.

Primary producers also do well, regardless of their size with generous depreciation concessions for fencing, water rights and fodder.

For financial planners, small business will be a key area for strategic advice as the reforms include tax incentives to restructure unincorporated small business into companies.

So where is the sting in this Budget? The Government has been careful in its targets. Rather than increasing taxes, the Government has focussed on loop holes where there is a clear argument for fairness. Multi-national companies who avoid paying tax on business profits in Australia are in the firing line. Also GST will be extended to imported digital products and services. Financial planners should take particular note that fly-in fly-out (drive-in drive-out) clients may lose the zone tax offset and caps will apply to salary sacrificed meal and entertainment expenses for employees of charities, hospitals and public benevolent institutions.

So with the image of our new smiling Treasurer in our minds (wearing the traditional blue tie of course), attached is a summary of the key issues in Budget 2015 for our valued clients.

With kindest regards,

Brad Huckel