

BMD 2015 Budget Update

Latest Update : Accelerated Depreciation For Primary Producers

As mentioned in our previous Budget Fact Sheet for 2015 there was a chance that this measure would be brought forward from the original 2016-17 start date. This has actually happened, it has been announced that this measure will now start from 7.30 pm Budget night. For practical purposes this really means from the 13th May 2015. Once again we remind readers that we are only relying on announcements and recently released Bills that have yet to be passed by both Houses of Parliament to become law. Any investment decisions prior to the 30th June need to be made bearing this uncertainty in mind.

The Accelerated Depreciation write off for all Primary Producers means a much quicker special write off for the following items that will be claimable under an amended Division 40-F:

- Fencing Assets : an immediate 100% deduction in the year of expenditure.
- Water Facilities : an immediate 100 % deduction in the year of expenditure. Previously there has been a full one third write off in each year for dams and water storage tanks etc.
- Fodder Storage Assets: A full one third write off each year for expenditure on these assets, e.g. a \$30,000 grain silo purchased on the 1st June 2015 would result in a \$10,000 tax deduction for the 2014-15 year. Previously the best outcome for these items was a full 15% write off, or \$4,500 for a \$30,000 Silo.



What Items Qualify:

- Fencing Assets : A fence, or a repair of a capital nature, or an alteration, addition or an extension to a fence.



- Water Facilities: plant or a structural improvement, or a repair of a capital nature, or an alteration, addition or extension, to plant or a structural improvement, that is primarily or principally for the purpose of conserving or conveying water; or is reasonably incidental to conserving or conveying water. Examples: Dams, troughs, bores, water storage tanks.

- Fodder Storage Assets: A fodder storage asset is defined as an asset that is primarily and principally for the purpose of storing fodder.

It does not have to be used to store food for livestock , storage of grain for human consumption will also qualify, so you don't have to own livestock.

What if I'm a Primary Producer who also qualifies as a Small Business (Turnover < \$1 million) ?

Choice of Claim: If you are a primary producer (a trust , company , or individual can be a primary producer), and you are also a Small Business Entity then you can choose between applying the Small Business \$20k write off and the Accelerated depreciation measures for farmers . For example: A grain silo costing \$15,000 can be written off immediately, instead of over 3 years.

What could my actual tax savings be?

We would also advise that no investment decision should be based on potential tax savings alone.

A \$20,000 tax deduction for a small business claiming a small truck does not mean a \$20,000 tax refund, tax savings depend on your applicable tax rate and whether you actually have net taxable income at the end of the year. For example an individual small business owner with a marginal tax rate of 34.5 (incl. Medicare Levy) percent could save \$6,900 income tax in 2014-15 on the purchase of a \$20,000 item under the new legislation.



Information in this factsheet has been sourced from the Australian Government and at the time of producing this factsheet had not yet been passed through parliament. We strongly recommend you talk to your accountant before making any significant purchases or financial decisions, as everyone's situation is different.

