



'NOT JUST ANOTHER BUDGET'

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2016 **FEDERAL
BUDGET**

5 May 2016





OVERVIEW

Apart from tax . . . ?

Budget projections

- Growth 2.5% to 3%
- Deficits of \$37b, \$18b, \$10b and \$2b
- Unemployment stable at 5.5%
- Inflation 2% to 2.5%

Spending promises

- Youth jobs programs
- Infrastructure spending
- Agricultural water programs
- Defence spending



SUPERANNUATION

Where are you at in the superannuation lifecycle?

Objective: substitute or supplement Age Pension

Not helpful:

- Pension balance at inception of \$1.6m or less
- Additional tax on super for those earning >\$250,000
- \$500,000 lifetime cap for non-concessional contributions
- Annual concessional contributions cap of \$25,000
- Transition to retirement pension assets not tax free



SUPERANNUATION

Where are you at in the superannuation lifecycle?

Helpful:

- Personal superannuation contribution deductions liberalised
- Catch up concessional contributions
- Age limits lifted to 74
- Low income superannuation tax offset and spouse offset extended

Neutral:

- No anti-detriment payments

INDIVIDUALS

Who do you think you are?

- Increase 32.5% tax bracket upper limit to \$87,000 from \$80,000
 - Aspire to an additional \$315 per year
- Tobacco excise increase
 - Every cigarette is doing you (\$1.60) damage
- GST imposed on international sellers of goods to Australians
 - Compliance nightmare

BUSINESSES

Company tax rate - the 'glide path'

Year	Turnover threshold	Rate
2015-16	\$2 million	28.5%
2016-17	\$10 million	27.5%
2017-18	\$25 million	27.5%
2018-19	\$50 million	27.5%
2019-20	\$100 million	27.5%
2020-21	\$250 million	27.5%
2021-22	\$500 million	27.5%
2022-23	\$1 billion	27.5%
2023-24	All companies	27.5%
2024-25	All companies	27.0%
2025-26	All companies	26.0%
2026-27	All companies	25.0%

BUSINESSES

Small business or not?

- Small business definition - \$10m turnover
 - Asset write-offs
 - Simplified depreciation
 - GST on a cash basis
- Income tax consolidation amendments
 - Updated to 1 July 2016
- Division 7A amendments
 - Private company loans

MULTINATIONALS

The ATO is watching you!

- Diverted profits tax
 - >\$1b turnover globally and >\$25m turnover in Australia
 - 40% rate on profits diverted to foreign jurisdiction with tax rate <80% of Australia's
 - 'Pay first, argue later'
- Hybrid mismatches to be legislated
- Penalties for failing to lodge documents
 - Increased 100 times (\$4,500 to \$450,000)



OTHER PROPOSALS

Watch this space

- Tax avoidance taskforce
- Whistleblower protection
- Compulsory disclosure of aggressive tax positions
- Collective investment vehicles
- (Voluntary) tax transparency code

CONCLUSION

'Not just another budget'? - context is everything!

- Political position
 - 2 July election?
 - 11 May dissolution of Parliament
 - Statement of intent
- Imperative to be seen as fiscally responsible
 - No big sugar hits
- But - what might have been?
 - Political capital spent or squandered?