

## PRESS RELEASE

### **AUSTRALIA: Budget 2015 - A safe and steady budget with a small business focus**

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In May 2015, the Coalition Government handed down its second budget. Given the controversy around its first budget last year and the failure of the Government to negotiate passage of the more contentious elements of its package through the Senate, it was expected that this year's budget would be less ambitious than last year's. This was confirmed on budget night, but there are several items coming from the budget and from related changes to other legislation that businesses, investors and visitors to Australia need to be aware of.

#### **The Small Business Package**

The centerpiece of this year's budget was a package of measures aimed specifically at small businesses. At its heart was a series of measures to reduce taxes and simplify small business deductions, including:

- For companies with revenue of less than \$2 million per year, a reduction in the company tax rate from 30% to 28.5%
- For unincorporated small businesses (i.e. those who operate their business through a trust, a partnership or as a sole trader), a 5% tax discount capped at \$1,000 per individual
- A temporary increase in the threshold for which small businesses can immediately write off assets from \$1,000 to \$20,000 to apply to assets acquired and installed ready for use from budget night through June 30, 2017
- The ability to immediately deduct business establishment costs including professional, legal and accounting advice rather than having to deduct them over 5 years under the current "Black Hole" provisions
- An exemption for small businesses with revenue of \$2 million or less from capital gains tax if they change their legal structure,
- Small businesses will be able to access a broader exemption from fringe benefits tax on portable electronic devices beginning April 1, 2016.

A large number of foreign companies with subsidiaries in Australia will benefit from these changes, as will new businesses. Along with this package the Government will also implement two more changes to help all businesses establish themselves and grow. These are:

- The development of a single online portal for business and company registration, allowing significant streamlining of the current processes
- The Government will introduce a new regulatory framework to facilitate the use of crowd source equity funding, which will include simplified disclosure and reporting requirements for small businesses.

These two changes are intended to significantly cut the red tape around starting a business and allow for new and innovative ways of funding business development and growth while encouraging entrepreneurship and growth.

### **Changes for larger businesses**

For larger businesses, and online businesses, there were also a number of announcements on Budget Night which will effect them:

- From 1 July, 2017 offshore supplies of services or intangibles to Australian consumers will be subject to Goods and Services Tax (“GST”). This fulfils a Government promise to impose a so called “Netflix Tax” on the digital economy and this extension of GST will result in supplies of digital products such as movies, music, apps, games, e-books and consultancy services provided online by non-Australian suppliers being connected with the indirect tax zone of Australia. The law will be similar to rules currently operate in the European Union and Norway;
- Australia will adopt the OECD’s new transfer pricing documentation standards from 1 January, 2016;
- A targeted multinational anti-avoidance law will be introduced along with doubling the maximum administrative penalties that apply Companies that enter into tax avoidance or profit shifting schemes. Along with this the ATO will also receive further funding for its investigations into profit shifting;
- A voluntary disclosure code will be developed to increase transparency in multinational tax arrangements.

The Government hopes that the combination of the Small Business Package budget along with the continued crackdowns on multinational profit shifting will not only assist in bringing down the deficit more quickly but also encourage Australian businesses to grow while ensuring the laws around foreign investment are enforced properly. Next quarter we will outline the proposed changes to foreign investment laws and their impact on investors.

### **The Budget at a glance**

Cash deficit	\$35 billion	down from \$41.1 billion in 2014
Fiscal deficit	\$33 billion	down from \$39.4 billion in 2014
GDP growth	2.75%	up 0.5% from 2014
Unemployment	6.5%	up 0.25% from 2014

Inflation                    2.5%                    up from 1.75% in 2014

*“The Coalition Government’s second budget contains details that businesses, investors and visitors to Australia need to note.”*

Scott Hogan-Smith, Associate, ECOVIS Clark Jacobs, Sydney, Australia

#### Author

Scott Hogan-Smith

[scott.hogan-smith@ecovis.com](mailto:scott.hogan-smith@ecovis.com)

#### **About Ecovis**

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The name Ecovis, a combination of the terms economy and vision, express both its international character and its focus on the future and growth.

#### **Contact at Ecovis**

Julia Hanke

Agnes-Bernauer-Straße 90 , 80687 München, Germany

Tel.: +49 89 5898-266, Fax: +49 89 5898-280

E-Mail: [julia.hanke@ecovis.com](mailto:julia.hanke@ecovis.com) [www.ecovis.com](http://www.ecovis.com)