



A better tax system

Supporting lower, simpler, and fairer taxes

The Government wants a tax system that supports jobs, growth and opportunity.

The Government is delivering specific improvements for farmers now.

Accelerated depreciation

It is important that our tax system encourages investment and drought preparedness. From 12 May 2015 farmers can:

- claim an immediate tax deduction for capital expenditure on **new water facilities**;
- claim an immediate tax deduction for capital expenditure on **new fencing**; and
- depreciate capital expenditure on **fodder storage assets** over three years.

Returning money to the farmer's pocket

A \$21,000 steel silo for storing animal feed previously was deducted over 30 years, but can now be deducted over 3 years. This brings forward a \$6,300 deduction in each of the first 3 years, reducing the farmer's tax burden.

Farm Management Deposits

To help farmers manage income fluctuations and tax liabilities the Government is increasing the flexibility of **Farm Management Deposits** (FMDs). From 1 July 2016 we will:

- remove restrictions on FMD accounts so they can be used as a farm business loan offset which will reduce interest costs for farmers;
 - ABARES has estimated that if all FMD holdings are used to offset loans farmers could save \$150 million a year in interest costs
- double the current total deposit limit, increasing it to \$800,000; and
- allow farmers in drought to withdraw their FMD within 12 months of making the deposit, without amending the previous year's tax return—farmers will no longer lose their FMD tax concessions if they do so.

Fairer income tax averaging

The Government is improving the income tax averaging rules. **From 1 July 2016, farmers will be able to opt back into income tax averaging**, ten years after they have elected to opt-out.

In a rapidly changing world with increasing market volatility, income averaging is more important than ever. Increasing the flexibility of tax averaging means that farmers will pay a fairer amount of tax as their business circumstances change.

Supporting small businesses

As part of the Government's Growing Jobs and Small Business package, farms with turnover less than \$2 million (97 per cent of farm businesses) are eligible for:

- an immediate tax deduction for each asset purchase costing less than \$20,000 from 12 May 2015 until 30 June 2017;
- a 5 per cent tax discount (capped at \$1,000 a year) for unincorporated small businesses from 1 July 2015; and
- a 1.5 percentage point cut in the company tax rate (to 28.5 per cent) for small businesses from 1 July 2015.

The Tax White Paper

The Tax White Paper will reform our tax system. The Government is seeking community views so together we can build a better tax system. Join the conversation at www.bettertax.gov.au.

Further Information

- agwhitepaper.agriculture.gov.au