Tax time

Business benefits scaled back

Important tax concessions to small businesses are in the process of being scaled back and could impact the 2013–14 financial returns of local firms.

Tax Guru chartered accountant Navneet Jyoti said two key incentives — the company loss carry-back, and immediate write-off depreciable assets schemes — were under review.

"Changes to these schemes have gone through parliament but are yet to receive the Royal Assent. This will likely happen soon," Mr Jyoti said.

From July 1 to December 31, 2013, businesses with a turnover under $2 million could purchase and immediately write-off most new depreciable assets up to a value of $6500.

"That $6500 threshold was very generous and good for businesses. Now that cap is reverting to $1000," Mr Jyoti said.

"Many businesses purchase expensive laptops and equipment which cost more than $1000. Those items will now have to be depreciated."

"The $1000 cap was in place before 2013."

The other change is the scrapping of the company loss carry-back scheme where eligible businesses could claim back tax paid in a good year if the subsequent year wasn't profitable.

"That was a positive scheme for business. If they had a good year they paid tax, if they had a bad year they were able to claim some back to help them get through. This is finished now," Mr Jyoti said.

Changes which will affect individuals and families include the increase to the Medicare levy from 1.5 per cent to 2 per cent to fund the national disability insurance scheme. The levy increase will be from July 1, 2014 and is expected to raise $12 billion for disability care and support services.

Self education expenses will also be capped as of July 1, 2014, at $2000. Those who undertake self-education for their field of employment are able to claim for eligible course fees, text books and even travel.

"They can still claim but only up to $2000. Before you could claim a great deal more," Mr Jyoti said.

Families with significant out-of-pocket medical expenses were once offered some assistance with the net medical expenses tax offset but that too is being phased out.

"If you had $2120 in eligible medical expenses you were able to claim 20 per cent of what you had spent above that amount. You will only be able to claim this in 2014 if you also claimed in 2013," Mr Jyoti said.

There will be some changes to the private health insurance rebate with plans to link inflation and annual premium increases to determine the rebate adjustment factor.

Mr Jyoti said the rebate adjustment factor would help set next year's rebate amount which, up until March 31, 2014, was 30 per cent for singles with a taxable income up to $88 000 and families with income up to $176 000.

He said all proposed changes would have different implications for different individuals so he recommended talking to a trusted adviser.

Tax rules relating to expensive office equipment, including computers and laptops, have changed.