



10 May, 2017

Federal Budget 2017 -2018 Key Highlights

The [Federal Budget for the 2017-18 year](#) was announced on Tuesday 9 May with some of the highlights being a new levy on banks, small business initiatives, infrastructure spending, some tax and superannuation measures on housing affordability, tax integrity measures and an increase to the Medicare Levy.

Key highlights and relevant initiatives to the fleet industry and its customers include:

- A new levy of 0.06 per cent is imposed on a number of big banks that could potentially be passed to its customers
- The Temporary Budget Repair Levy of 2 per cent (for taxable incomes over \$180,000) will expire on 30 June 2017. However, the Medicare levy will increase from 2 per cent (of taxable income) to 2.5 per cent from 1 July 2019. This is likely to result in an increase in the Fringe Benefits Tax (FBT) rate from 47% to 47.5% to reflect the new top individual marginal tax rate (plus Medicare levy). We would also expect a corresponding increase in the FBT gross-up rates, which would be required to calculate the taxable value of fringe benefits. The Budget did not indicate a start date for the FBT rate changes but we will communicate any changes as soon as they are announced
- The Government's enterprise tax plan is focused on reducing the corporate tax rate to 25 per cent by 2026-27 for eligible entities with turnover of less than \$50 million. The Government has announced that it is committed to extending the tax cuts to cover all companies to create a more competitive landscape
- No changes were announced in the Federal Budget in relation to personal income rates
- An extension until 30 June 2018 for small businesses (entities with an aggregated annual turnover of less than \$10 million) to immediately deduct eligible assets costing less than \$20,000. It was previously due to expire on 30 June 2017

Further to the above, some key tax considerations relevant to the fleet industry include:

- Leasing continues to be an attractive source of financing as lease payments are typically fully tax deductible
- Salary sacrificing for novated leases continue to be an attractive strategy to achieve cost savings, especially in relation to GST savings

In addition, please be aware of the [Australian Taxation Office's Practical Compliance Guidelines PCG 2016/10](#) that applies from the FBT year ended 31 March 2017. It

provides a concession to employers who use the operating cost method to calculate FBT on tool of trade vehicles that are not luxury cars. This concession allows employers to apply an “average business use percentage” when calculating their FBT liability. The eligibility requirements and application of this concession are outlined in the guideline provided above.

