

# The New *Business* Tax System

**EMBARGO:** 11:45 am AEST, 21 September 1999

## Benefits of Tax Reform for Primary Producers

Primary producers will benefit significantly from the Government's business tax reforms, including through substantially reduced company and income tax rates and lower capital gains tax. Specific tax benefits for primary producers will be retained and about 99 per cent of primary producers will effectively retain access to accelerated depreciation through the Simplified Tax System as well as benefiting from a dramatic reduction in their compliance costs. Primary producers will also benefit from lower business costs as a result of indirect tax reform and the Government's measures to reduce fuel costs.

### Reduced tax rates

Incorporated farm businesses will benefit from a reduction in the company tax rate from 36 per cent to 34 per cent for the 2000-01 income tax year and to 30 per cent thereafter. Unincorporated farm businesses will benefit from personal tax cuts from 1 July 2000, which have already been legislated.

This, combined with the indirect tax reforms will ensure that primary producers remain internationally competitive.

### Reduced compliance burdens and access to existing concessions retained

About 99 per cent of primary producers will see their compliance burdens reduced and their access to existing concessions effectively maintained through the operation of the Simplified Tax System from 1 July 2001. Under the Simplified Tax System, assets costing \$1000 or more will be subject to accelerated depreciation. Those costing less than \$1000 can be written off immediately, thereby reducing the need for asset registers.

Until the Simplified Tax System commences, about 99 per cent of primary producers will retain access to existing accelerated depreciation provisions and be able to continue to immediately deduct items costing \$300 or less.

The Government's reforms to the business tax system do not affect special primary producer provisions for landcare expenditure, water facilities, grapevines and horticultural plants. Further, income distributed from trusts taxed like companies will continue to attract the primary producer averaging provisions and the farm management deposit arrangements.

## **Primary producers benefit from Capital Gains Tax reforms**

Primary producers will benefit from the expansion and simplification of the provisions to provide CGT relief to small businesses. For individual primary producers, up to 75 per cent of any capital gain on active assets will be exempt from CGT with the remainder subject to expanded and simplified rollover provisions and retirement exemption provisions.

Furthermore, primary producers qualifying for CGT small business relief will be fully exempted from CGT where business assets have been held continuously for 15 years or more — provided that the taxpayer is at least 55 years of age and intends to retire or has become incapacitated. This measure will provide further incentives for investment in primary industry as well as being of particular benefit to those taxpayers who have held assets for long periods where the real rate of capital appreciation is very low.