

# PRIMARY PRODUCERS BUSINESS TAX DEDUCTIONS



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# BUSINESS DEDUCTIONS

## GENERAL BUSINESS DEDUCTIONS

You can claim a deduction for most expenses you incur in running your business as long as they are directly related to earning your income. Operational expenses are claimed 100% in the year they are incurred however capital expenses are claimed over a longer period unless a specific concession allows a different outcome.

## SMALL BUSINESS CAPITAL ALLOWANCES

You are a small business if your aggregated turnover is under \$10 million. Small businesses can pool the cost of most capital assets and claim depreciation on the pool at the rate of 30% on the opening value of the pool and 15% on any new additions to the pool. If an asset is sold, the proceeds reduce the closing balance of the pool. If the proceeds exceed the pool balance the excess will be taxable income. Low value assets under \$30,000 can be claimed as an immediate deduction until 30 June 2020.

## EXTRA DEDUCTIONS FOR PRIMARY PRODUCERS

### INCOME AVERAGING

Income averaging enables you to even out your income and tax rate over a five year period to allow for good and bad years. This aligns your tax rate with that of a taxpayer on a stable income.

### FARM MANAGEMENT DEPOSITS (FMD'S)

FMD's allow primary producers to carry over income from years of good cash flow and draw down on that income in years when they need cash.

This enables primary producers to defer the income on their primary production income from the income year in which the deposit is made until the income year in which the deposit is repaid. The entire amount of a FMD (subject to a limit of \$800,000 or net income from primary production is deductible in the year it is made and it is assessable in the year it is redeemed. Non primary production income must also be less than \$100,000.

### NON-COMMERCIAL BUSINESS LOSSES

Where assessable income from other sources, excluding net capital gains, is less than \$40,000 primary producers do not need to satisfy the normal requirement to meet one of the four business tests for offsetting business losses against other assessable income.

### DEDUCTIONS FOR LAND CARE OPERATIONS

Costs such as drainage work to prevent salinity, erosion control activities or erecting fences under an approved management plan can be claimed in full. The management plan needs to be approved by an authorised consultant. Other land care deductions such as establishing a Shelterbelt are fully deductible.

However, the cost of setting up a Carbon Sink Forest is claimed over 14 years and 105 days.

### WATER FACILITIES

There is an immediate deduction for costs incurred for the conserving or conveying of water for use in the business. This includes dams, tanks, bores, wells, irrigation channels, pipes and pumps. This does not include second hand items.



## FENCING

There is now an immediate deduction for the cost of fencing irrespective if it is repairs or new fencing. The term "fence" includes an enclosure or barrier as around or along a field or paddock. It does not include yards.

## FODDER STORAGE ASSET

This is an asset that is primarily for the purpose of storing fodder. This includes sheds, silos, molasses tanks etc. If purchased and first used prior to 19 August 2018, the deduction is claimed over 3 years in equal instalments. If you paid for the item either after 19 August 2018 or had paid prior to this date, but had not first used or installed the item, you can claim a deduction for the full cost in the year you incurred the deduction.

## ELECTRICITY CONNECTIONS AND TELEPHONE LINES

The cost of connecting electricity and telephone lines can be claimed in equal instalments over 10 years.

## DEFERRAL OF PROFIT ON THE FORCED DISPOSAL OR DEATH OF LIVESTOCK

Where you have a forced sale due to drought, fire or flood etc you can reduce the current years income by the profit on that sale and return it as income or offset replacement costs over the next five years.

## INSURANCE RECOVERIES

This allows an assessable insurance recovery to be spread in equal instalments over five years.

## DEFERRAL OF PROFIT ON DOUBLE WOOL CLIPS

If, due to fire, flood or drought, a primary producer is forced to undertake an early shearing and therefore sells two wool clips in one income year, the grower can elect to defer the profit on sale of the second clip to the following year.

# FOR MORE INFORMATION CONTACT



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