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*Practice Group:*

*Labour, Employment  
and Workplace Safety*

## Federal Budget 2015: What it Means for Employers

### *Australia Labour Employment and Workplace Safety Alert*

*By Alice DeBoos and John Monroe*

On 12 May 2015, Treasurer, Joe Hockey, delivered the Coalition Government's second budget.

A key part of the budget is the Government's AUD5.5 billion 'Jobs and Small Business' package, aimed at assisting small businesses and helping people become 'job-ready'. There have also been important changes made to parental leave and taxation arrangements. The Government has described the budget as one which targets barriers to employment.

In this Legal Insight, we briefly discuss the Government's key budget measures that are likely to impact employers, if passed.

### Budget Measures

#### *Paid Parental Leave and Returning to Work*

After stepping away from its generous paid parental leave scheme earlier this year, the Government has now significantly decreased access to the existing paid parental leave scheme (PPL) of 18 weeks at the minimum wage. Under the proposed arrangements, employees accessing employer provided schemes will only be entitled to payment under the PPL if the employer scheme pays below 18 weeks at the minimum wage, and then only to the extent of any difference between the two.

Additionally, the Government plans to encourage 'stay at home' parents to go back to work by cutting access to childcare rebates for households with incomes over AUD65,000 and family tax benefits to single income families when children turn six. Both of these measures could result in an increased level of employees seeking to return to work after taking periods of parental leave.

#### *Small Businesses*

Many of the proposals in yesterday's budget are tax measures directed at assisting small business owners. They apply to those businesses with less than AUD2 million in annual turnover.

In addition to a 1.5% tax cut for small business owners from the 2015-16 income year, the measures include:

- changes to fringe benefits tax from 1 April 2016, which now allows small business owners to claim all portable devices, such as mobile phones, laptops and tablets, as exemptions – previously an exemption could only be claimed on one device where multiple devices performed the same function
- immediate tax deductions for any business purchases under AUD20,000 from 12 May 2015 to 30 June 2017 – a sharp increase from the existing AUD1,000 instant asset write-off threshold

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- immediate deductions on a range of professional expenses associated with starting a new business, such as legal and accounting advice (rather than be required to deduct these over a five year period) from the 2015-16 income year
- changes to the legal structure through which their business is operated, without triggering a capital gains tax liability from the 2016-17 income year.

### *Independent Contractors*

An even greater tax cut was announced for non-incorporated businesses with ABNs from the 2015-16 income year, which includes sole traders and contractors.

The business tax discount will be 5% of the income tax payable on the business income received by the unincorporated business and received as a tax offset. This discount will be capped at AUD1,000 per individual per each year.

By giving a discount to workers who undertake work as sole traders, this measure is likely to provide an incentive for workers to operate in this way. We see this providing added incentive to structure working relationships and will undoubtedly lead to an increase in workers requesting an 'independent contractor' relationship, rather than one of employment. Employers need to be aware of the risks involved with such arrangements and the incorrect characterisation of true employment relationships.

### *Foreign Workers*

Under the new changes to income tax, from 1 July 2016, people from overseas on a working holiday arrangement in Australia will no longer be able to access the tax free threshold available to residents. Instead, such workers will be required to pay 32.5 per cent tax on up to AUD80,000 annually and, therefore, employers need to be aware of this if hiring foreign workers.

### *Not-For-Profit and Public Sector Health Workers*

In contrast to small business owners, employers of not-for-profit and public sector health workers need to be aware that the Fringe Benefits Tax exemptions available, are now subject to a cap of AUD5,000 for each financial year for meal entertainment benefits and will be reportable. This will reduce the number of meal and entertainment tax exemption claims available to these workers.

### *Assistance with Finding Work*

The Government has introduced an AUD25 million package to support job seekers with a disability and employers wishing to hire such job seekers. Most relevant to employers is the new JobAccess Gateway which will provide employers with information about the supports that are available in hiring people with a disability and establish a 'virtual disability employment marketplace'.

Additionally, a new 'Restart' wage subsidy will encourage small businesses to employ older workers, and the Youth Employment Strategy will provide wage subsidies for employers to hire young people after four weeks of unpaid work.

## Significance for Employers

This budget provides incentives for businesses to engage greater numbers of employees and independent contractors, and has also provided additional assistance for businesses to employ young people, old people and people with a disability. Employers should

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consider how best to respond to changes to the Government's PPL, and be aware that changes may need to be made to their employees' fringe benefits and PAYG tax arrangements.

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