

Don't fence in deductions for a farm

Rural property owners will receive \$153,637 more

During the recent May 2015 federal budget, the federal government announced that farmers will be able to make additional claims from 7:30pm on the 12th of May 2015 in the form of instant deductions for fencing and water facilities.

Previously, fences depreciated over a period of thirty years, while most water facilities depreciated over three years and fodder storage assets over a period of up to fifty years.

Primary producers will now be able to immediately deduct the cost of fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills. Fodder storage assets such as silos and tanks used to store grain and other animal feed will now depreciate over three years.

Many smaller farm businesses with an aggregated turnover of less than \$2 million can also benefit from the budget's broader small business initiatives. Their owners can choose to use either the accelerated depreciation for primary producers or the accelerated depreciation for small businesses for each depreciating asset. For example, if a sheep farmer was to invest \$19,500 on a new silo to store feed, the farmer could choose to claim an immediate deduction of \$19,500 for the silo under the small business rules, rather than choosing to depreciate the asset over three years under the new rules for primary producers.

To examine the difference the recent budgetary measures will have on the depreciation deductions for a farm that qualifies as a small business, below is a comparison table of the first full financial year's deductions found for common farming assets:

Asset	Depreciable value	First year deductions (prior to 2015 budget changes)	First year deductions (after to 2015 budget changes)
Fences	*\$72,000	\$10,800	\$72,000
Tractor	\$92,000	\$13,800	\$13,800
Pumps	*\$4,600	\$690	\$4,600
Water troughs	**\$1,250	\$188	\$1,250
Irrigation assets	*\$16,300	\$2,445	\$16,300
Silos (used for fodder storage)	**\$19,500	\$2,925	\$19,500
Horse shelter	\$48,500	\$7,275	\$7,275
Livestock grids	\$27,600	\$4,140	\$4,140
Barn	\$75,500	\$11,325	\$11,325
Forage harvester	\$105,000	\$15,750	\$15,750
Chemical spraying assets	**\$3,600	\$540	\$3,600
Dams	*\$63,500	\$9,525	*\$63,500
TOTAL	\$529,350	\$79,403	\$233,040

The depreciation deductions in the above scenario have been calculated using the diminishing value method and are based on a property with an aggregated turnover of less than \$2 million. The first year deductions prior to the 2015 budget changes have been calculated using the simplified depreciation rates for small business entities.

*Fences, dams, pumps, irrigation assets and windmills can now be applied as an immediate write-off if the asset was acquired after 7:30pm on the 12th of May 2015.

**Assets with a depreciable value of less than \$20,000 for a farm business with an aggregated turnover of less than \$2 million can now be applied as an immediate write-off if the asset was acquired after 7:30pm on the 12th of May 2015.

As the table demonstrates, if a farmer acquires all of the above assets after the 12th of May 2015, they will be able to claim an additional \$153,637 in depreciation deductions.

For further advice on how the recent federal budget changes have impacted the depreciation deductions for assets in properties used for primary production, consult with one of the expert staff at BMT Tax Depreciation or speak with your Accountant.