

Hi

I have recently commenced an accounting and tax agent practice in Wondai Queensland.

In rural and regional communities I see that a significant issue has arisen with respect to claiming non commercial losses re primary production. The current threshold is less than \$40,000 (from salary and wages etc) to be able to claim primary production losses as a tax deduction. This threshold has not moved for some time.

For a lot of families to be able to afford to get into farming they buy a small farm and work fulltime whilst they pay off the farm and try to improve it. After a number of years they then buy another farm, or have improved the original sufficiently so that profits can be generated and the full time off-farm work can be ceased or reduced. The biggest issue in not being profitable is that farming land is quite expensive when compared to the income it can generate – therefore interest expense results in losses.

As far as I am aware the limiting of claiming primary production losses to taxpayers earning less than \$40,000 was to stop high income earners in the cities having 'weekenders' in the country which they claimed losses on.

It is time to change the threshold to closer to top rates, say \$100,000.

I acknowledge that it is wasteful to effectively subsidise inefficient business practices. However, I think it is part of the fabric of our country and rural communities that we strive to keep family farms and not rely on international and domestic corporations to provide our food.

A consequence of the limit to \$40,000 of non primary production (non pp) income is that younger people (say less than 40 years old) are sacrificing to super to reduce their non pp income to below \$40,000. This is inefficient and perhaps against the spirit of superannuation as super is supposed to provide benefits in retirement. In this circumstance the sacrifice to superannuation is providing a significant tax benefit now. Also many salary and wage earners are not taking up overtime (or will do overtime on a time off in lieu basis). This is retarding capacity as these people would like to do the paid overtime but do not purely because the tax system penalises them if they do.

Regards

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