

Taxation

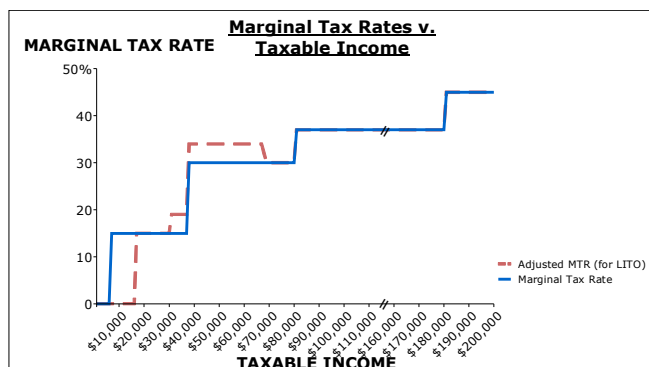
Personal Income Tax Reductions (Previously Legislated)

The personal income tax thresholds for the 2010/11 year will be as follows:

Current tax thresholds		New tax thresholds from 1 July 2010	
Amount	Tax Rate	Amount	Tax Rate
\$0 - \$6,000	0%	\$0 - \$6,000	0%
\$6,001 - \$35,000	15%	\$6,001 - \$37,000	15%
\$35,001 to \$80,000	30%	\$37,001 to \$80,000	30%
\$80,001 to \$180,000	38%	\$80,001 to \$180,000	37%
\$180,000+	45%	\$180,000+	45%

The amendments increase the 30% threshold from \$35,001 to \$37,001 from 1 July 2010. It also reduces the second highest marginal tax rate from 38% to 37% from 1 July 2010.

Additionally, the low income tax offset will increase to \$1,500 from its current \$1,350 with the upper income threshold being raised to \$67,500 from \$63,750. Those eligible for the Low Income Tax Offset will have an effective tax-free threshold of \$16,000 in 2010/2011. Minors can receive unearned income of up to \$3,333 tax-free.



Proposed Start Date: 1 July 2010

Increased Medicare Levy Low Income Threshold

The Government will increase the Medicare levy low income threshold to \$18,488 for individuals and \$31,196 for families. The additional amount of threshold for each dependent child or student will also increase to \$2,865.

The Medicare levy threshold for pensioners below age pension age will also be increased to \$27,697. This will ensure that pensioners below age pension age will not have a Medicare liability where they don't have an income tax liability.

Proposed Start Date: 1 July 2009

Discount Tax on Interest Income

The Government plans to provide a 50% tax discount on up to \$1,000 of interest earned by individuals.

Currently there are relatively higher levels of taxation applying to interest income, compared to other forms of investment income.

There will be a flow-on effect for taxpayers claiming the discount for interest income as they will have a reduced adjusted taxable income (for the purposes of determining eligibility for social security payments and other concessions).

To generate \$1,000 of interest a taxpayer would need savings of \$16,667 assuming a 6% interest rate. An individual on a 30% marginal tax rate will derive a direct benefit of approximately \$157 and approximately \$232 for an individual on the top marginal tax rate.

Proposed Start Date: 1 July 2011

Net Medical Expenses Tax Offset

The Government is proposing to increase the threshold above which a taxpayer may claim the net medical expenses tax offset from \$1,500 to \$2,000 and commence annually indexing the threshold to CPI. The first indexation will take place on 1 July 2011. The amount of the offset (20% of unreimbursed eligible medical expenses) remains unchanged.

Proposed Start Date: 1 July 2010

Standard Tax Deduction

The Government plans to introduce a standard deduction for work-related expenses and the cost of managing tax affairs. The standard deduction will be \$500 for the 2012/13 financial year, and then \$1,000 for the 2013/14.

This standard deduction would be available regardless of whether relevant expenditure was actually incurred.

The standard deduction will reduce individuals' and families' adjusted taxable income (for the purposes of determining eligibility for social security payments and other concessions).

Where a person's deductible expenses would exceed the standard deduction amount, they will be able to claim the higher expenses instead of the standard deduction.

Proposed Start Date: 1 July 2012 and 1 July 2013

Company Tax Rate

For eligible 'small businesses', the Government will cut the company tax rate from 30% to 28% from 2012/2013 financial year.

For other larger companies, the company tax rate will be reduced from 30% to 29% for the 2013/2014 financial year and 28% from the 2014/2015 financial year.

Proposed Start Date: Various, from 1 July 2012

Write-off of Small Business Assets

The Government will allow small businesses to immediately write off all assets costing less than \$5,000 and will allow most other assets (not including buildings) to be depreciated in a single pool at a rate of 30%. This would improve the existing depreciation concessions available to small businesses which limit write-offs to assets which cost less than \$1,000.

Proposed Start Date: 1 July 2012

Superannuation

Co-contribution – Permanent Reduction to Matching Rate and Maximum Payable.

The matching rate of 100% and the maximum co-contribution that is payable on an individual's eligible personal non-concessional contribution of \$1,000 is proposed to be permanently retained and will not be increased, as previously stated. (Previous maximum was 150% or \$1,500.)

Proposed Start Date: 1 July 2010

Co-contribution – Indexation of Income Thresholds Paused for Two Years

The Government plans to freeze for 2010/11 and 2011/12 the indexation applied on the income threshold above which the maximum superannuation co-contribution begins to phase down.

Effectively this measure will freeze these thresholds at \$31,920 and \$61,920 for the next two financial years (i.e. 2010/11 and 2011/12).

Proposed Start Date: 1 July 2010

Government Superannuation Contribution for Low Income Earners

The Government will make a superannuation contribution of up to \$500 annually for individuals with an adjusted taxable income of up to \$37,000. The amount payable will be calculated by applying a 15% matching rate to the concessional superannuation contributions. The annual maximum of \$500 will be available where the individual has concessional (eg. employer or personal deductible) contributions of \$3,333 or more, and will be paid by the Government into the individual's superannuation account.

Proposed Start Date: 1 July 2012 (with first amounts paid in 2013/2014)

Increasing the Superannuation Guarantee (SG) Rate from 9% to 12%

There is a proposed increase in the SG rate from 9% to 12% - phased in between 1 July 2013 and 1 July 2019. The lead time and phase in will allow employers to take the increased SG contributions into account in future wage negotiations.

Individuals who are paid on a total employment cost (TEC) basis may experience a reduction in cash salary as the SG rate increases.

Proposed Start Date: 1 July 2013

Extending the Concessional Contributions Cap for Persons Aged 50 or Over

The \$50,000 transitional concessional contributions cap will be extended permanently for individuals aged 50 or over with total superannuation balances of less than \$500,000.

This measure is intended to allow individuals with low superannuation balances the opportunity to 'catch up' on their superannuation contributions at the stage in their lives when they are most able to do so.

As a result of this change, some individuals may be able to take greater advantage of salary sacrifice and transition to retirement pension strategies. Also, superannuation splitting may become more desirable to shift superannuation balances between partners.

Proposed Start Date: 1 July 2012

Superannuation Guarantee Age Limit (70 to 75)

Employees aged 70 to 74 will be entitled to SG contributions, with the SG age limit increasing from 70 to 75. The new age limit will bring employer obligations in line with the age limit for voluntary and self-employed contributions.

Proposed Start Date: 1 July 2013

Other Superannuation Amendments

- ATO discretion on excess contributions tax assessments - this measure proposes giving the Commissioner the ability to exercise its discretion prior to an assessment being issued for excess contributions tax.
- Increasing the time limit for deductible employer contributions made for former employees.
- The Government has announced plans to permanently allow a claim for a deduction for eligible contributions to be made to successor's superannuation funds.

Proposed Start Date: 1 July 2010

Social Security

Family Tax Benefit Part A: Strengthening participation requirement from 1 July 2010

In the 2009 Budget, the Government extended FTB Part A to cover children aged 16-20 who do not have a Year 12 or equivalent qualification, and who participate in full-time education or training.

The participation measures will now be strengthened. Children will now be required to participate in full-time education or training. Part-time education or training will not be sufficient.

The Child Care Rebate will be capped at \$7,500 per child (2008/09 level) from the current annual cap of \$7,778 per child. Also indexation of the cap will be paused for four years from 1 July 2010.

Proposed Start Date: 1 July 2010

Family Tax Benefit Non-Lodgments Suspensions – Exemptions

Payments will continue to people who do not have any FTB debt, or where ceasing the payments would cause undue hardship.

Disability Support Pension (DSP): Refined Assessment Process

When determining eligibility for the DSP Centrelink will have a greater focus on the individual's potential to work.

Claimants who do not have sufficient evidence to demonstrate that they cannot be assisted back to work will have their DSP claim rejected and will instead be referred to an employment service to build their employment capacity.

Claimants who are clearly unable to work will not be affected, including those with profound disability, serious medical conditions or terminal illness.

In addition to these changes, assessments for the DSP will be simplified to fast-track more claimants who are clearly eligible due to a cancer, congenital or catastrophic disability.

Clients who are looking to claim the DSP may be affected by these measures depending on their individual circumstances, those with manifest disability will benefit from a quick assessment whereas others may be rejected.

Proposed Start Date: 1 July 2010

Other

Changes to First Home Owners Savers Account (FHSA) scheme

The Government proposes that savings in a FHSA can be paid into an approved mortgage after the end of a minimum qualifying period, rather than requiring it to be paid to a superannuation account.

This measure will allow an earlier access to the savings instead of waiting to meet a condition of release under superannuation rules and the ability to reduce mortgage debt.

Proposed Start Date: Homes purchased after Royal Asset of legislation

More information

- Call 1300 314 335
- Email info@f3fs.com.au
- Visit www.f3fs.com.au

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