

# FEDERAL BUDGET 2010-2011 UPDATE & HENRY TAX REVIEW

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While the 2010 Federal budget contained few surprises, some taxation , superannuation and social security changes were announced that may impact us:

## **TAXATION**

From 1 July 2012, the Government will provide taxpayer with standard tax deduction of \$500.00 for work related expenses and the cost of managing tax affairs. From 1 July 2013, the standard deduction will increase to \$1,000.00.

**Those taxpayers with deductible expenses greater than the standard deduction amount will still be able to claim their higher expenses instead of claiming the standard deduction amount.**

### **Personal tax rates applicable from 1 July 2010**

<b>Tax thresholds</b>	<b>Tax rate</b>
0 – 6,000	0
6,001 – 37,000	15
37,001 – 80,000	30
80,001 – 180,000	37
180,001 >	45

### **Low Income Earners Tax Offset**

The increase to Low Income Earners Tax Offset (LITO) to \$1,500.00 will allow Australians to earn up to \$16,000 and not have to pay income tax , providing a real benefit to low income and part-time workers.

### **Effective tax-free thresholds 2010/2011 onwards**

<b>Category</b>	<b>Amount</b>
Individual	16,000
Super Pension (All Taxable component)	48,158
Minors ( Unearned income )	3,333

### Senior Australian Tax Offset ( SATO)

The amount of income a senior Australian eligible for SATO can earn before they pay income tax or the Medicare Levy :

	<b>Before</b>	<b>1 July 2010</b>
Singles	29,867	30,685
For each member of a couple	25,680	26,680

### Increase in the Medicare Levy and Medicare Levy surcharge Low- Income Threshold

Singles	17,794	18,488
Couples	30,025	31,196

This means the singles or couples with incomes in the 2009-'10 income year below these thresholds will be exempt from the Medicare Levy.

For families, the additional amount of threshold for each dependent child or student will also be increased to \$2,865 ( up from \$ 2,757 ).

### Increase in the net medical expenses tax offset claim threshold

Effective from 1 July 2010, the medical expenses rebate threshold will increase from \$1,500 to \$2,000 and will be indexed annually to the CPI from the 2012 financial year.

### Tax Break on interest savings

From 1 July 2011, individuals will receive a 50% tax discount on up to \$1,000 of interest income earned., including interest earned on deposits held in authorised deposit taking institutions, bonds, debentures and annuity products.

### **Savings**

<b>Individual's MTR(%)</b>	<b>Interest earned</b>	<b>Discount</b>	<b>Tax savings</b>
	\$	\$	\$
<b>15</b>	<b>1,000</b>	<b>500</b>	<b>75</b>
<b>30</b>	<b>1,000</b>	<b>500</b>	<b>150</b>
<b>37</b>	<b>1,000</b>	<b>500</b>	<b>185</b>
<b>45</b>	<b>1,000</b>	<b>500</b>	<b>225</b>

### Reduction in Company Tax Rate

Responding to Henry Tax Review 20 2<sup>nd</sup> May 2010, the company tax rate will be reduced to 28% and will be don in two stages as follows:

<b>Income Year</b>	<b>Corporate Tax (%)</b>
2013-'14	29
2014-'15	28

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**Eligible small business companies will be eligible to move straight to the 28% rate with effect from the 2013 financial year.**

**Small business Asset Write- off**

The Government's response to the Henry Review also include positive changes to the existing capital allowance concessions available for small business:

Immediate write-off assets	From \$1,000 to \$ 5,000
Other assets ( except buildings)	In a single depreciation pool at 30%

**SUPERANNUATION MEASURES ( Arising from Henry Review responses)**

The Government's response to the Henry Review outlined some major changes to superannuation. Although not budget measures, the changes are of significant importance to taxpayers and business alike. The major changes are as follows:

<b>Financial year</b>	<b>Guarantee rate ( % )</b>
2013-14	9.25
2013-15	9.50
2013-16	10.00
2013-17	10.50
2013-18	11.00
2013-19	11.50
2013-20	12.00

The superannuation guarantee age limit will also be raised from 70 to 75, with effect from 1 July 2013.

**Concessional contributions caps for over 50s**

<b>Contributions threshold</b>	<b>Age limit</b>	<b>FY</b>	<b>Super Balance</b>
<b>50,000 ( permanently )</b>	<b>50 &amp; over</b>	<b>1 July 2012</b>	<b>&lt;500,000</b>

The maximum co-contribution matching rate and payment amount will remain at 100% and \$1,000 respectively.

From 1 July 2012 the Government will provide a contribution of up to \$500 for workers with incomes up to \$37,000.

## **SOCIAL SECURITY MEASURES**

The Government will cap annual Child care Rebate to the 2008-2009 level fo \$7,500 per child, a decrease from the current annual cap of \$7,778 per child.

## **BUSINESS ON ATO'S RADAR FOR 2010**

- a) Companies claiming business/revenue losses
- b) Cash economy by using industry benchmark and personal living expenses guides
- c) **SMSF** investments & compliance issues
- d) Dodgy GST arrangements and artificial Credits
- e) Rental deductions
- f) PAYG, FBT & super guarantee compliance issues.

If you wish to discuss about the above or any tax planning and compliance issues, please contact the writer.

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