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## June 2010 Newsletter

# Federal Budget & Henry Review

### Personal Taxation

#### 50% Savings Discount for Interest Income

From 1 July 2011, the Government will provide individuals with a 50% tax discount on up to \$1,000 earned on interest.

This includes interest earned on deposits held with any bank, building society or credit union as well as on bonds, debentures or annuity products.

The discount will be available for interest income earned directly as well as indirectly, such as via a trust or a managed investment scheme (MIS).

#### Standard Deduction for Work-related Expenses

The Government will provide individual taxpayers with a standard deduction of \$500 for work-related expenses and for the cost of managing tax affairs from 1 July 2012.

This standard deduction will then increase to \$1,000 from 1 July 2013.

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

#### Medical Expenses Rebate Threshold Raised

Taxpayers presently receive a rebate equal to 20% of net un-reimbursed eligible medical expenses above \$1,500. This \$1,500 threshold will increase to \$2,000 from 1 July 2010.

In addition, from 1 July 2011, the threshold will be indexed annually to the Consumer Price Index (CPI).

#### Confirmation of Personal Income Tax Rates

The release of the Federal Budget has confirmed that the previously budgeted tax rate cut and threshold change will apply from 1 July 2010.

The changes are:

- Reducing the 38% tax rate to 37%; and
- Increasing the \$35,000 tax threshold to \$37,000.

This will necessitate changes to the various withholding schedules and update of the payroll software utilised by businesses.

### Business Measures

#### Company Tax Rate

The company tax rate will be reduced from 30% to 28%. This is to be achieved in two steps:

- to 29% for the year ended 30 June 2014; and then
- 28% for the year ended 30 June 2015.

However, for small business companies the tax rate will be reduced directly to 28% for the year ended 30 June 2013.

The criteria to be met for a company to be an eligible small business company have not yet been determined.

#### Depreciation

The existing small business capital allowance concessions will be expanded.

Small business entities can currently obtain an immediate deduction for expenditure on assets costing less than \$1,000. From 1 July 2012 this threshold will increase to \$5,000.

Further, from that date all other assets, excluding buildings, will be depreciated in a single depreciation pool at a rate of 30% per year. This single pool replaces the existing general and long life pools.

## Superannuation Measures

### Superannuation Guarantee

The superannuation guarantee levy is to be increased from the current level of 9% to 12% in seven increments from 1 July 2013 to 1 July 2019.

Further, the superannuation guarantee age limit is to be increased to 75 years from 1 July 2013. Presently, the superannuation guarantee only applies to employees aged up to 70 years.

Employers will need to consider the cost of these measures when negotiating employee remuneration during, and in the lead up to, these years.

Date	Rate
Up to 30 June 2013	9.00%
1 July 2013	9.25%
1 July 2014	9.50%
1 July 2015	10.00%
1 July 2016	10.50%
1 July 2017	11.00%
1 July 2018	11.50%
1 July 2019	12.00%

### Contributions Caps

It should also be noted that there has been no change to the existing concessional superannuation contributions cap of \$25,000, or the related transitional cap for those aged 50 or over of \$50,000.

This higher transitional cap ceases on 30 June 2012, however this cap will now continue to be available from 1 July 2012 for those aged 50 or over who have a superannuation fund balance of less than \$500,000.

### Co-contribution

The Government is also seeking to modify the operation of the Government superannuation co-contribution scheme. In brief, the Bill will:

- freeze the indexation of the co-contribution income thresholds for the 2010/11 and 2011/12 income years. That is, the lower and higher income thresholds will remain at \$31,920 and \$61,920 (the current thresholds for the 2009/10 income year), respectively, for the two years; and
- permanently set the current matching rate at 100% and the maximum co-contribution that is payable on an individual's eligible superannuation contributions at \$1,000.

These amendments are proposed to apply to the 2009/10 and later income years.

### Rejected Henry Review Recommendations

The Federal Government's response to the Henry Review rejected many of the recommendations:

- Reducing the CGT discount;
- Limiting negative gearing deductions;
- Changing the status of pre-CGT assets;
- Removing the imputation system;
- Including the family home in 'means' tests;
- Imposing land tax on the family home (this is an issue for the States);
- Removing the medicare levy;
- Introducing a bequests tax;
- Abolishing the luxury car tax; and
- Making changes that would impact negatively on the 'not for profit' sector.

Further, the response included confirmation that the Federal Government 'will never increase the rate or broaden the base of the GST or remove tax free superannuation payments for the over 60's'.

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