

Annual Federal Budget & Henry Review Summary

As you are aware the Federal Government recently announced the budget for 2010-2011 and findings from the Henry Tax Review were also released. Below is a summary of the key points which we believe are most important to you, our clients. It is important to remember that most of the items covered were proposals and will only come into effect once legislation has been enacted.



1. TAXATION

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.

Standard tax deduction for work-related expenses & costs of managing tax affairs

From 1 July 2012, the Government will provide individual taxpayers with a standard tax deduction of \$500 for work-related expenses and the cost of managing tax affairs (e.g. tax agent fees). From 1 July 2013, the standard deduction will increase to \$1,000.

Personal tax rates applicable from 1 July 2010

Tax Thresholds	Tax Rate*
0 - 6,000	0
6,001 - 37,000	15
37,001 - 80,000	30
80,001 - 180,000	37
180,001 +	45

* Plus Medicare Levy Surcharge

Increase in the net medical expenses tax offset claim threshold

Effective from 1 July 2010, the threshold above which a taxpayer may claim the net medical expenses tax offset (NMETO) will increase from \$1,500 to \$2,000. This threshold will also be indexed annually to the Consumer Price Index from that date with first indexation adjustment taking place on 1 July 2011.

2. SUPERANNUATION

Permanent reduction to the superannuation co-contribution

The Government will permanently retain the matching rate for the superannuation co-contribution at 100% and the maximum co-contribution that is payable on an individual's eligible personal non-concessional superannuation

contributions at \$1,000.

Superannuation co-contribution: Suspension to the indexation of the income threshold for two years

The Government will freeze, for two years, the indexation applied on the income threshold above which the maximum superannuation co-contribution begins to phase down. This measure will freeze these thresholds at \$31,920 and \$61,920 for 2010/11 and 2011/12.

3. SOCIAL SECURITY MEASURES

Child Care Rebate

The Government will cap the annual Child Care Rebate to the 2008-09 level of \$7,500 per child, a decrease from the current annual cap of \$7,778 per child. In addition, the indexation of the cap will be suspended for four years from 1 July 2010.

Reducing the cap will not alter the percentage of out-of-pocket expenses reimbursed by the Government, which will remain at 50 per cent up to the annual cap.

4. FIRST HOME SAVER ACCOUNTS (FHSA)

In order to increase the flexibility of FHSAs, the Government will allow savings in an FHSA to 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 as is currently the case.

5. HENRY TAX REVIEW

The Budget also contained a number of measures released last week in the Government's response to the Henry Review, including:

- A reduction in the corporate tax rate to 29% from 2013/14, and to 28% from 2014/15;
- The reduction in corporate tax rate for 'eligible small business companies' to 28% from 2012/13;
- Immediate write-off for assets of small businesses extended to assets valued at less than \$5,000 from 1 July 2012;
- Increasing the superannuation guarantee (SG) by annual increments until it reaches 12% by 2019/20
- Increasing the SGC maximum age threshold to 75 years of age from 1 July 2013;
- Provision of a new Government superannuation contribution which will pay up to \$500 for individuals with adjusted taxable incomes less than \$37,000, from 1 July 2012;
- Raising the concessional contributions cap to \$50,000 per year for individuals who are 50 and over and who have superannuation balances less than \$500,000, from 1 July 2012.

If you have any questions relating to the information contained in this article or the recent announcements please contact the office to arrange a discussion with your Navigate adviser.