

Budget Tax Summary

Details provided below are based on information available at the time of preparation. Many of the items mentioned have been announced and no legislation is yet available for complete analysis. They should not be relied upon as specific advice. Neither the firm nor any of its employees accepts any liability for any loss or damage to any person as a result of reliance on the details in this summary.

Income Tax

No changes were made to taxation rates in the budget. The individual taxation rates will be reduced from 1 July 2009 as has been previously announced. These rates are shown below:

Taxable Income \$	Tax Payable 2009/2010 \$
\$0 - \$6,000	Nil
\$6,001 - \$35,000	Nil + 15%
\$35,001 - \$80,000	\$4,350 + 30%
\$80,001 - \$180,000	\$17,850 + 38%
\$180,000 +	\$55,850 + 45%

Superannuation and Retirement

Superannuation Contributions

The tax deductible amount of superannuation contributions will be reduced from 1 July 2009. The previous amount of \$50,000 will be reduced to \$25,000 and for those people over age 50 the current transitional deduction of \$100,000 will be reduced to \$50,000 until 30 June 2012 when the transition period expires. Contributions from after tax income (non-concessional contributions) will remain at \$150,000 per year.

Superannuation Co Contribution

The superannuation co-contribution scheme will be reduced to 100% of eligible contributions for 2009/10, 2010/11 and 2011/12 income years, with the rate increasing to 125% of contributions for the 2012/13 and 2013/14 years and returning to its former level of 150% for the 2014/15 year.

Pension Draw Down Amounts Reduced for 2009/10

As has been announced for the 2008/09 year those self funded retirees in receipt of account based pensions will only need to take a lower pension payment for 2009/10 also. Those rates are shown below:

Age of beneficiary	Percentage factor
Under 65	2%
65-74	2.5%
75-79	3%
80-84	3.5%
85-89	4.5%
90-94	5.5%
95 or more	7%

Pension Age Increased

The age pension age will be gradually increased to 67 years of age. The new pension changes will apply to new pension entrants from 1 July 2017, which will mean that it applies to people who are 57 years of age or younger on 1 July 2009. The following table indicates the new age pension ages:

Date	New age pension age	Affects people born	When group reaches new age pension age
1 July 2017	65 years and 6 months	1 July 1952 to 31 December 1953	1 January 2018 to 30 June 2019
1 July 2019	66 years	1 January 1954 to 30 June 1955	1 January 2020 to 30 June 2021
1 July 2021	66 years & 6 months	1 July 1955 to 31 December 1956	1 January 2022 to 30 June 2023
1 July 2023	67 years	From 1 January 1957	From 1 January 2024

Further Superannuation Changes Announced

The government has announced that a further review of the superannuation system is underway and the results will be released in December 2009. This review will conduct further examination into the concessional tax treatment for superannuation contributions and for salary sacrifice arrangements.

Individuals and Families

Private Health Insurance Rebate

From 1 July 2010, the government will introduce three new “Private Health Insurance Tiers” in respect of the Private Health Insurance Rebate as follows.

- Tier 1: for singles earning more than \$75,001 (couples \$150,001), the Private Health Insurance Rebate will be 20% for those up to 65 years (25% for those over 65, and 30% for those over 70 years). The Surcharge for avoiding private health insurance will remain at 1%.
- Tier 2: for singles earning more than \$90,001 (couples \$180,001), the Private Health Insurance Rebate will be 10%, for those up to 65 years (15% for those over 65, and 20% for those over 70 years). The Surcharge for avoiding private health insurance will be increased to 1.25%.
- Tier 3: for singles earning more than \$120,001 (couples \$240,001), no Private Health Insurance Rebate will be provided. The Surcharge for avoiding private health insurance will be increased to 1.5%.

All income thresholds will continue to remain indexed.

First Home Buyers

For eligible first home buyers entering into contracts between 1 July 2009 and 30 September 2009 (inclusive) the FHOB will continue to provide \$7,000 for the purchase of established homes and \$14,000 for the purchase of new homes. This means that including the \$7,000 First Home Owner’s Grant, until 30 September, purchasers of new homes will continue to be eligible for \$21,000 of assistance, and purchasers of existing homes will continue to be eligible for \$14,000 of assistance.

Between 1 October 2009 and 31 December 2009 the FHOB grants will be \$3,500 for the purchase of established homes and \$7,000 for the purchase of new homes. This means that including the \$7,000 First Home Owner’s Grant, from 1 October until 31 December, purchasers of new homes will be eligible for \$14,000 of assistance, and purchasers of existing homes will be eligible for \$10,500 of assistance.

Non-Commercial Losses

For some time now there have been specific rules for the tax deductibility of loss making ventures and the ability to claim the loss against other income. From the 2009/10 income year, taxpayers with an adjusted taxable income of over \$250,000 will have excess deductions quarantined to the business activity under the non-commercial losses rules. This means that losses from a venture will only be able to be claimed against profits made by the same venture in future years. The existing rules will continue to apply to taxpayers with an adjusted taxable income of \$250,000 or less.

Small Business Investment Allowance

We previously advised clients of this incentive on 9 March 2009. If you missed this communication details are still available on our web site at www.gpb.com.au. The bonus deduction previously announced of 30 per cent has been increased to 50 per cent for small businesses with a turnover of less than \$2 million that acquire an eligible asset between 13 December 2008 and 31 December 2009 and install it ready for use by 31 December 2010.

The previously announced 30 per cent and 10 per cent bonuses will continue to apply to all other businesses.

Entrepreneurs Tax Offset

The application of the income test for the entrepreneurs' tax offset (ETO) announced in the 2008/09 Budget will be deferred for 12 months. The government said the deferral ensures that the timing and nature of the income test is consistent with its broader income testing reforms. The government will consult on the form of the income test, which will apply from the 2009/10 financial year. This offset applies to very few of our clients so if you need more information please do not hesitate to contact us.

Companies and Trusts

New R&D tax credit

From 2010/11, the current R&D concession will be replaced by the R&D Tax Credit. The government will consult further on the eligibility criteria in developing legislation for the new tax credit. A consultation paper will be released in the next few months. The new R&D tax credit will provide a 45% refundable credit for firms with an annual turnover of less than \$20m (ie equivalent to a 150% deduction). The credit will be available to small companies in a loss position, with no limit on the level of R&D expenditure undertaken.

Businesses with a turnover of more than \$20m will be entitled to a 40% non-refundable credit (equivalent to a 133% deduction).

Companies undertaking R&D in Australia where the intellectual property is held offshore will also be able to access the 40% non-refundable credit.

As a transitional measure for 2009/10, the R&D expenditure cap for the existing R&D Tax Offset will be lifted from \$1m to \$2m.

Deemed dividends

From 1 July 2009, the non-commercial loan rules will be extended to payments by way of a licence or right to use real property and chattels. This will reduce the scope for private companies to allow their shareholders or associates to use company assets such as real estate, cars and boats for free or at less than arm's length value.