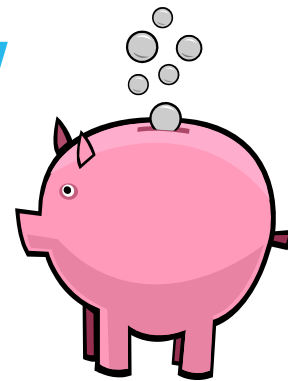


# Federal Budget Overview



*This year's Federal Budget focused on building Australia's future workforce whilst maintaining strict spending disciplines designed to return the Budget to surplus in 2012-13. We have summarised below some of the main announcements (yet to be passed as legislation through parliament).*

## Taxation measures

### Phasing out dependant spouse tax offset

The Government will phase out the dependant spouse tax offset for taxpayers with a dependant spouse born on or after 1 July 1971.

Taxpayers with an invalid or permanently disabled spouse, supporting a carer, or people who are eligible for the zone, overseas forces and overseas civilian tax offsets will not be affected by this change.

### Reform of car fringe benefit rules

The Government will reform the current 'statutory formula' method for determining the taxable value of car fringe benefits by replacing the current statutory rates with a single rate of 20% that applies regardless of the distance travelled. Under the current statutory formula method, the calculated fringe benefit decreases as the distance travelled by the vehicle increases.

This reform will apply to new contracts entered into after 7:30pm (AEST) on 10 May 2011 and will be phased in over 4 years as shown in the table below:

Distance travelled during the FBT year (1 April – 31 March)	From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 – 15,000 km	20%	20%	20%	20%
15,000 – 25,000 km	20%	20%	20%	20%
25,000 – 40,000 km	14%	17%	20%	20%
More than 40,000 km	10%	13%	17%	20%

### Bringing forward the low income tax offset

From 1 July 2011, the Government will increase the amount of low income tax offset (LITO) that is available to low and middle income earners through their regular pay during the year from 50% to 70% of their total entitlements.

The remaining 30% of their LITO benefit will still be paid as a lump sum on assessment of income tax returns.

An individual's total LITO entitlement in any one year remains unchanged but the adjustment will deliver up to \$300 in more timely tax relief to low and middle income earners.

### Increasing the Medicare levy low-income thresholds

The Government will increase the Medicare levy low-income thresholds to \$18,839 for individuals and \$31,789 for families, with effect from 1 July 2010. The additional amount of threshold for each dependent child or student will also increase to \$2,919.

The Government will also increase the Medicare levy threshold for single pensioners below Age Pension age to \$30,439, with effect from 1 July 2010.

### Removing minor's eligibility for low income tax offset on unearned income

From 1 July 2011 the Government will remove the ability of minors (children under 18 years of age) to access the low income tax offset (LITO) to reduce tax payable on their unearned income, such as dividends, interest, rent, royalties and other income from property.

Income earned by minors from work will still be eligible for the full benefit of the LITO. Unearned income of minors who are orphans or disabled, as well as compensation payments and inheritances received by minors will not be affected by this measure.

### **Small business accelerated initial deduction for motor vehicles**

The Government will allow small business to claim up to \$5,000 as an immediate deduction for motor vehicles, with effect for vehicles acquired from the 2012-13 income year. The remainder of the motor vehicle value will be pooled in the general small business pool (depreciated at 15% in the first year and then 30%).

The Government has previously announced that any new business asset worth less than \$5,000 can be written off immediately from the 2012-13 income year.

### **Additional payment option for child care rebate**

Families in receipt of the Child Care Rebate (CCR) will have the additional option of receiving CCR payments directly to their bank account on a fortnightly basis from 1 July 2011.

This measure builds on reforms in the 'Mid Year Economic and Fiscal Outlook 2010-11', which allowed families to receive CCR payments fortnightly as a fee reduction via their child care service.

The proposal will allow families to choose from a greater range of CCR options.

## **Superannuation measures**

### **Reduction in the minimum payment for account-based pensions in 2011-12**

The Government will phase out the minimum pension drawdown relief that has been provided over the last three income years. Minimum payment amounts for account-based, allocated and market linked (term allocated) pensions will be reduced by 25% for 2011-12 and will return to normal in 2012-13.

The Government previously provided pension drawdown relief in the 2008-09, 2009-10, 2010-11 income years by halving the minimum payment amounts.

**If you have any questions regarding to budget changes or any other tax or accounting matters, contact the team at BMG today to discuss your situation.**

7 Stanley Street Wodonga VIC 3690

P: 0260 243 000

E: [bmg@bmgpartners.com.au](mailto:bmg@bmgpartners.com.au)

### **Refund of excess concessional contributions**

The Government will provide eligible individuals with the option to have excess concessional contributions taken out of their superannuation fund and assessed as income at their marginal rate of tax, rather than incurring excess contributions tax.

The measure will apply where an individual has made excess concessional contributions of up to \$10,000 (not indexed) in a particular year and is only available for breaches in respect of the 2011-12 or later income years, and only for the first year, commencing from 2011-12, in which a breach occurs.

### **Superannuation information on payslips**

From 1 July 2012 the Government will ensure that employees receive information on their payslips about the amount of superannuation actually paid into their account; and employees and employers will receive quarterly notification from their superannuation fund if regular payment cease.

### **Operation of the higher contribution cap for over 50s**

The Government will set the higher concessional contributions cap for eligible individuals aged 50 and over with total superannuation balances of less than \$500,000, due to apply from 1 July 2012, to \$25,000 above the general concessional cap. This measure clarifies the operation of the higher cap for the over 50s which was introduced in the 2010-11 Budget.

The general concessional contribution cap is set at \$25,000. When it increases due to indexation, the higher cap will increase by the same dollar amount.

### **Superannuation Co-contribution**

The Government will continue the freeze on the indexation applied on the income threshold above which the maximum superannuation co contribution begins to phase down for an additional year to 2012-13. This means the lower and higher thresholds will remain at \$31,920 and \$61,920 respectively.

The Government currently provides a matching contribution of up to \$1,000 for people with incomes of up to \$31,920 with the amount available phasing down for incomes up to \$61,920.

