



MACBITES

BUDGET UPDATE

The aim of this edition is not to regurgitate the significant quantity of "Budget" information that has now flooded the press. It is aimed mostly at identifying some of the key tax and superannuation changes in which we believe many of our clients will be interested. It should be noted that these are proposals and are subject to Government legislation.

Individuals

- The Flood Levy will apply for the 2011-12 year based on taxable income as follows:
 - \$50,000 or less will not pay the levy.
 - Between \$50,001 and \$100,000 - a 0.5% levy on the excess above \$50,000.
 - In excess of \$100,001 - \$250 plus a 1.0% levy on excess above \$100,000.
- Exemption: Individuals are exempt from the levy if they were affected by a natural disaster during 2010-11 and received an Australian Government Disaster Recovery Payment.
- The government will limit the ability of minors (children under 18 years of age) to access the low income tax offset to reduce tax payable on their unearned income, such as trust distributions, dividends, interest, rent, royalties and other income from property, with effect from 1 July 2011.
 - From 1 July 2011, individuals who receive government assistance payments will not be able to claim income tax deductions for amounts expended in relation to the payments received. Essentially, the amendments will deny deductions allowed by the High Court's decision in Commissioner of Taxation v Anstis.
 - Employees will receive information on their payslips about the amount of superannuation paid into their accounts
 - The rebate for dependent spouses aged less than 40 will be phased out to help encourage more Australians into paid employment.

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Superannuation

- Eligible individuals who breach the concessional super contributions cap by up to \$10,000 will have the one-off option of having these excess contributions assessed as income at their marginal rate of tax, rather than incurring excess contributions tax. This option will only apply to first time breaches from 1 July 2011.
- A higher concessional super contributions cap of \$50,000 will apply for the over 50s with superannuation balances under \$500,000 from 1 July 2012.
- The minimum annual payment amounts for pensions and annuities will be reduced by 25% for 2011-12 and will return to normal in 2012-13. In this respect, the Government will begin to phase out the 50% pension drawdown relief that has been provided for 2008-09, 2009-10 and 2010-11 financial years.
- The SMSF levy will increase from \$150 to \$180 with effect from the 2010-11 year.

Small Business

- Small businesses in a net GST refund position will be allowed access to the GST instalment system.
- Small businesses will be provided with an instant tax write-off of the first \$5,000 of any motor vehicle purchased from 2012-13. This will effectively replace the Entrepreneurs Tax Offset (ETO), which will be abolished with effect from the 2012-13 year. The new write-off is in addition to the Government's proposed tax reforms announced in last year's budget to be introduced in 2012-13 that would allow small businesses:
 - an immediate write-off of all assets valued at under \$5,000 (up from \$1,000 presently);
 - a write-off of all other assets (except buildings) in a single depreciation pool at a rate of 30%. Currently, small businesses allocate assets to 2 different depreciation pools, with 2 different depreciation rates (30% and 5%); and
 - a reduction in company tax rate to 29% for incorporated small businesses.

FBT

- A flat rate of 20% will replace the scale of statutory rates currently used to calculate the taxable value of a car fringe benefit under the "statutory formula" method. The changes will apply to new vehicle contracts entered into after 7:30pm (AEST) on 10 May 2011, and will be phased in over 4 years.

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