

# CARBONI & CO

CHARTERED ACCOUNTANTS



“Making Your  
Business Count”

## REPORTS



### 2009 Federal Budget

#### Overview

The Federal Budget was handed down on Tuesday 12th May 2009. Whilst no major tax changes were announced, a number of measures will impact on higher income taxpayers. Announcements included the increase in Pension rates, the First Home Owners Boost being extended to December 2009, Parental Leave being deferred and changes to Private health insurance rebates from July 2010.

On the business side, the small business tax break has been expanded to allow a bonus deduction of 50% for small businesses (ie. turnover <\$2 Million) who purchase eligible assets between 13 December 2008 and 31 December 2009.

#### INDIVIDUAL TAXATION

Individual tax rates will remain virtually unchanged for the 2009/10 financial year. The rates are as follows:

##### Tax rates 2009/10

| Taxable Income       | Marginal Rate |
|----------------------|---------------|
| \$0 – \$6,000        | NIL           |
| \$6,001 – \$35,000   | 15%           |
| \$35,001 – \$80,000  | 30%           |
| \$80,001 – \$180,000 | 38%           |
| Over \$180,001       | 45%           |

- The above rates do not include the Medicare levy of 1.5% of taxable income or medicare levy surcharge (if applicable).

**BUDGET 2009 SUMMARY**

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**Personal tax changes include:**

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| <b>Superannuation Concessions Cap Reduced</b>      | <ul style="list-style-type: none"><li>• The annual limit for concessional superannuation Contributions has been halved to \$25,000 from the current limit of \$50,000.</li><li>• A reduction will also apply to the transitional threshold. The limit will now be only \$50,000 (from current limit of \$100,000).</li></ul>   |
| <b>Reduction in Super Co-Contribution</b>          | <ul style="list-style-type: none"><li>• The government super co-contribution will be reduced to only 100% of contributions made by eligible persons up to a maximum of \$1,000. Previously it was 150% of contributions made.</li></ul>  |
| <b>Access to Non-Commercial Losses tightened</b>   | <ul style="list-style-type: none"><li>• Taxpayers with a taxable income of \$250,000 or more will be unable to deduct non-commercial losses against their assessable income (ie. salary and wages). Excess deductions will instead be quarantined for future use.</li><li>• The existing rules will still apply to taxpayers with a taxable income of less than \$250,000.</li></ul>   |
| <b>Foreign Employment Income Exemption removed</b> | <ul style="list-style-type: none"><li>• Currently Australians who work overseas for 90 days or more and have tax deducted from their employment income are exempt from paying any further tax in Australia (this is known as the 90 day rule).</li><li>• From 1 July 2009, the 90 day rule will now only apply to certain aid and charity workers and other approved government projects. A tax offset however will be available for any foreign tax paid on foreign employment income.</li></ul>                              |
| <b>First Home Owners Boost Extended</b>            | <ul style="list-style-type: none"><li>• The First Home Owners Boost (FHOB) will be extended to continue in full to 30 September 2009 and then half to 31 December 2009. In addition to the base First Home Owners Grant of \$7,000, the following FHOB entitlements are:<ul style="list-style-type: none"><li>• TO 30 SEPT 2009 - \$7,000 for purchase of established homes and \$14,000 for new homes.</li><li>• 1 OCT–31 DEC 2009 - \$3,500 for purchase of established homes and \$7,000 for new homes.</li></ul></li></ul> |



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| <p><b>Age Pension Increase</b></p>                 | <ul style="list-style-type: none"> <li>• From 20 Sept 2009, the full pension rate will increase by \$32.49 per week (single) and \$10.14 (couple).</li> <li>• The pension age will gradually be increased to 67 years age from current 65 years.</li> </ul>  |
| <p><b>Seniors Supplement</b></p>                   | <ul style="list-style-type: none"> <li>• This will be made available to self funded retirees who are also eligible for the Seniors Health Card/DVA Gold Card with current concession allowance. It will incorporate existing concession payments.</li> <li>• The supplement amount will be \$790.40 per annum for singles &amp; \$1,190.80 for couples paid quarterly.</li> </ul>  |
| <p><b>Self-Funded Retirees – Min. Drawdown</b></p> | <ul style="list-style-type: none"> <li>• The minimum drawdown is the amount that must be withdrawn from an account based pension each year during the pension phase of a superfund. This has been reduced to accommodate falling investment values.</li> <li>• For 09/10 the annual drawdown amount will be 2% if aged under 65 (2.5% if 65-74) and increases with age.</li> </ul>   |
| <p><b>Carers Supplement</b></p>                    | <ul style="list-style-type: none"> <li>• A new carer supplement of \$600 per annum will be paid to those who receive either the carer allowance and/or carer payment.</li> </ul>   |
| <p><b>Employee Share Schemes</b></p>               | <ul style="list-style-type: none"> <li>• Currently, under qualifying share schemes, an employee can elect to be assessed on discounts provided on shares or rights in the income year they are acquired (up front) OR defer to later time when employee disposes of shares. If employee elects to be assessed up front, a tax exemption of \$1,000 applies.</li> <li>• Under the new changes, all discounts on shares and options under employee share schemes will be assessed in the year they are acquired. Further the \$1,000 tax exemption will be limited to taxpayers with taxable income less than \$60,000 (adjusted for fringe benefits, negative gearing).</li> <li>• Therefore, employees will no longer be able to elect to defer taxation on discount to a later time as previously.</li> </ul> |
| <p><b>Paid Parental Leave</b></p>                  | <ul style="list-style-type: none"> <li>• The Government has announced the introduction of Paid Parental Leave to apply for births after 1 Jan 2011. The scheme will provide 18 weeks leave at the Federal minimum rate, currently \$543.78 per week.</li> <li>• Payments made under the Scheme will be taxable. Further persons who access Paid Parental leave will NOT be entitled to the Baby Bonus (which is tax free) – except in the case of multiple births.</li> </ul>  |



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|   | <ul style="list-style-type: none"> <li>To be eligible, persons must have worked with one or more employers for at least 10 of 13 months prior to expected date of birth and worked 330 hours in those 10 months.</li> <li>Taxable Income of claimant must be &lt; \$150,000</li> </ul>   |
| <p><b>Private Health Insurance Rebate Reduced</b></p> | <ul style="list-style-type: none"> <li>Changes will take place effective <b>1 July 2010</b>, which will reduce the current 30% private health insurance rebate where singles earning more than 75,000 (for couples \$150,000) depending on age.</li> <li>3 "Private Health Insurance Tiers" will be created:             <ul style="list-style-type: none"> <li>1 - 20% rebate if income &gt; \$75K (\$150K families)<br/>(If over 65 yrs, 25%, if over 70 yrs, 30%)]</li> <li>2 - 10% rebate if income &gt; \$90K (\$180K families)</li> <li>3 – No rebate if income &gt; 120K (\$240K families)</li> </ul> </li> </ul> |

**BUSINESS TAXATION CHANGES:**

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| <p><b>Investment Allowance increased to 50%</b></p> | <p><b>FOR SMALL BUSINESS TURNOVER &lt;\$2 MILLION:</b></p> <ul style="list-style-type: none"> <li>The bonus tax deduction will be increased to 50% for eligible assets purchased between 13 December 2008 and 31 December 2009. This is an increase from previous 30% rate.</li> <li>The bonus tax deduction applies to assets costing more than \$1,000. Amalgamation of identical items allowed to meet this threshold.</li> <li>Assets must be installed for use by 31 December 2010 and used for business purposes.</li> <li>Deduction is on top of usual claims for depreciation.</li> <li>Assets NOT eligible include land, trading stock, capital works, non-business assets, and intangibles.</li> </ul> <p><b>FOR BUSINESSES - TURNOVER &gt; \$2 MILLION:</b></p> <ul style="list-style-type: none"> <li>As previously announced, where businesses turnover more than \$2 Million, business can claim a 30% tax deduction for assets acquired between 13 December 2008 and 30 June 2009.</li> </ul> |
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|  | <ul style="list-style-type: none"> <li>Where assets are committed to between 1 July 2009 and 31 December 2009, a 10% bonus deduction is available.</li> </ul>  |
| <b>Research and Development Changes</b>                  | <ul style="list-style-type: none"> <li><b>With effect from 2010/11</b> the current R&amp;D concession will be replaced by the R&amp;D Tax Credit. The new R&amp;D Credit to claim will depend on business turnover: <ul style="list-style-type: none"> <li>If business turnover is <b>less</b> than \$20 Million, 45% refundable credit is available. This is equivalent to a 150% deduction.</li> <li>If business turnover is more than \$20 Million, a 40% non-refundable credit (ie. 133% deduction)</li> </ul> </li> <li>Please note the Government is seeking to tighten the eligibility criteria for Research and Development expenditure under the new R&amp;D Tax Credit system. A consultation paper is to be released in coming months.</li> </ul> |
| <b>Deemed Dividend<br/><br/>(Private Companies only)</b> | <ul style="list-style-type: none"> <li>From 1 July 2009, the non-commercial loan rules will be extended to covers payments to shareholders in the form of rights to use real property, chattels and licence rights. The aim is to bring such benefits into line with the treatment of benefits to employees subject to FBT.</li> <li>This will reduce the scope for private companies to allow shareholders and associates to use company assets such as real estate, cars and boats for free or at less than arm's length value.</li> </ul>   |
| <b>CGT: Roll-Over for Fixed Trusts</b>                   | <ul style="list-style-type: none"> <li>A limited CGT roll-over concession will be provided for assets transferred between trusts that have the same beneficiaries with the same entitlement and no material discretionary elements ie. fixed unit trust.</li> <li>This will allow trusts to restructure without triggering any CGT taxing event. Trustees will be able to defer any CGT until the received trust disposed of the asset.</li> <li>Apply to transfers from 1 November 2008.</li> </ul>   |
| <b>Infrastructure Spending</b>                           | <ul style="list-style-type: none"> <li>The government has committed \$22Billion towards various Infrastructure projects. This is to target improvements in land transport networks including road, rail and ports.</li> <li>Also included is projects towards the Clean Energy Initiative, Hospitals and University Research and Education.</li> </ul>   |

