

## 2009 Federal Budget Highlights

The following are announcements from the Budget delivered 12<sup>th</sup> May, 2009 that will impact NCS-Nicholls' clients:

These are a selection of key issues raised within the 2009 Federal Budget. Should further detail be required, please contact our office or read in more detail [The Institute of Chartered Accountants and CCH Budget Night Report 2009](#)

### 1. Individuals & Families

- From 1 July 2010, the government will introduce three new "Private Health Insurance Tiers" in respect of the Private Health Insurance Rebate
- From the 2008/09 year, the Medicare levy low-income thresholds will be increased to \$17,794 for individuals and \$30,025 for individuals in families.
- The First Home Owner's Boost will be extended for an extra six months.
- The employee share scheme deferral election will not apply to shares and options acquired after 7.30pm on 12 May 2009.
- 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.
- From 1 July 2009, the foreign employment income exemption will only be available for income earned by aid or charitable workers, government aid workers, and specified government employees.
- From 1 July 2009, Family Tax Benefit Part A (FTB-A) payment rates will be indexed by the Consumer Price Index. The higher income thresholds for family payments (FTB-A, FTB-B and Baby Bonus) will be maintained at their current level until July 2012.
- A Paid Parental Leave scheme will be available to parents for births and adoptions that occur on or after 1 January 2011.
- No changes were announced to personal tax rates so the previously legislated rates should apply. The tables below show existing rates of personal taxation and rates effective 1<sup>st</sup> July, 2009.

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Current Tax Thresholds (\$)	Tax Rate %
0 - 6,000	0
6,001 - 34,000	15
34,001 - 80,000	30
80,001 - 180,000	40
180,001+	45

New Tax Thresholds from 1 <sup>st</sup> July, 2009 (\$)	Tax Rate %
0 - 6,000	0
6,001 - 35,000	15
35,001 - 80,000	30
80,001 - 180,000	38
180,001+	45

## 2. Small Business

- A bonus deduction of 50 per cent will be available to small businesses that acquire an eligible asset between 13 December 2008 and 31 December 2009 and install it ready for use by 31 December 2010
- The application of the income test for the entrepreneurs' tax offset will be deferred for 12 months and commence on 1 July 2009.
- The government has made the income recovery subsidy payments for the Victorian bushfires and for the North Queensland floods exempt from income tax.
- Certain grants to small businesses and primary producers affected by the Victorian bushfire will be income tax exempt.

### 3. Companies & Trusts

- From 2010/11, the current R&D concession will be replaced by the new R&D tax credit.
- 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 .
- The government will convert Medibank Private to a “for profit” government-owned business enterprise in early 2009/10.
- There has been confirmation that the immediate annuity conditions for life insurance companies did not change when they were transferred to ITAA 1997.
- Australia’s foreign source income attribution regimes will be reformed.
- A number of technical amendments will be made to the Uniform Capital Allowance rules.
- The government will implement the recommendations of the Board of Taxation to improve the taxation treatment of off-market share buy-backs.
- The government will change the thin capitalisation regime for approved authorised deposit taking institutions.
- Australian managed investment trusts will be able to make an irrevocable election to apply the capital gains tax regime as the primary code for taxing certain disposals of assets, with effect from the 2008/09 income year.
- A limited CGT roll-over will be provided for assets transferred between trusts that have the same beneficiaries with the same entitlements and no material discretionary elements (ie fixed trusts).
- From 1 July 2010, TFN withholding arrangements will apply to closely held trusts.

### 4. Superannuation Concessions

- The annual cap for concessional superannuation contributions has been halved from \$50,000 to \$25,000, and the transitional concessional contributions cap has been reduced to \$50,000 per year from its former annual limit of \$100,000.
- The superannuation co-contribution scheme will be reduced to a rate of 100% for contributed amounts for the 2009/10, 2010/11 and 2011/12 years, increasing to 125% for the 2012/13 and 2013/14 years and returning to 150% for the 2014/15 year.

## 5. Other Superannuation & Retirement Measures

- The age pension age will be gradually increased to 67 years of age.
- Superannuation funds will be required to align their lost superannuation reporting with unclaimed money regulations and to transfer lost superannuation accounts with balances less than \$200 to unclaimed monies.
- The minimum drawdown amount for account-based pensions will be halved for the 2009/10 income year.
- The future tax panel's review into retirement incomes has released its report, recommending keeping the superannuation guarantee charge at 9%, increasing the age pension age to 67 years and aligning the age pension with the preservation age.
- Australia and New Zealand have agreed in principle to allow movement of superannuation benefits between Australian and New Zealand superannuation funds.

## 6. Carbon Pollution Reduction Scheme

- With effect from the introduction of the Carbon Pollution Reduction Scheme all Kyoto units registered in Australia will be subject to the scheme's proposed tax treatment.
- The government will delay the start date of the Carbon Pollution Reduction Scheme by one year to 1 July 2011.

Please contact Sharryn or Andrew should you require further detail.

Andrew Nicholls

Important

This is not advice. The reader should not act solely on the basis of the material contained in this article. Items herein are general comments only and do not constitute or convey advice per se. Also, changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of these areas. This article is issued as a helpful guide to the reader for their private information.