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Personal Income Tax Measures

Income Tax Rates

Personal income tax rates will remain as previously announced.

From 1 July 2009		From 1 July 2010	
\$	Rate	\$	Rate
6,001	15%	6,001	15%
35,001	30%	37,001	30%
80,001	38%	80,001	37%
180,001	45%	180,001	45%

Medicare Levy

The low income Medicare levy threshold will increase to \$17,794 for individuals and \$30,025 for individuals in families. This will apply to the 2008-09 income year.

Private Health Insurance Rebate

The existing rebate provided to taxpayers with private health cover will be changed from 1 July 2010 with the introduction of three new 'Private Health Insurance Incentive Tiers'. The rebates will be as follows:

Age	Income Level			
	\$0 to \$75,000	\$75,000 to \$90,000	\$90,000 to \$120,000	\$120,000 and above
< 65	30%	20%	10%	nil
65-69	35%	25%	15%	nil
> 70	40%	30%	20%	nil

The thresholds are doubled for families.

Medicare Levy Surcharge

For taxpayers who do not have an adequate level of private health cover the following rate of Medicare levy surcharge will apply from 1 July 2010:

Income Level			
\$0 to \$75,000	\$75,000 to \$90,000	\$90,000 to \$120,000	\$120,000 and above
nil	1.00%	1.25%	1.50%

Foreign Employment Income

From 1 July 2009 the foreign employment income tax exemption for more than 90 days work will only be available for aid/charitable workers and other specified Government workers. In all other cases foreign earnings will be subject to Australian income tax with a tax credit for foreign tax paid.

Employee Share Schemes

All discounts received on shares or options provided under an employee share scheme after 12 May 2009 will be subject to income tax in the year of receipt. Taxpayers will no longer be able to defer the tax on the discount to a later time.

In addition, the \$1,000 tax exemption on discounts will be limited to employees with an adjusted taxable income of less than \$60,000.

Superannuation Measures

Contribution Limits

The limit on concessional (deductible) contributions will be reduced from 1 July 2009. Taxpayers under the age of 50 will be able to contribute up to \$25,000 per year. The transitional concessional limit for taxpayers aged 50 and over will be reduced to \$50,000 per year. The transitional limit will apply for the 2009-10, 2010-2011 and 2011-2012 income years.

The limit for non-concessional (undeducted) contributions will remain at \$150,000 for the 2009-10 year. Thereafter the limit will be six times the concessional contributions limit.

Minimum Pension Payments

The minimum account-based pension payment amounts will be halved for the 2009-10 income year.

Government Co-contribution

The level of the Government superannuation co-contribution for after-tax contributions by low income earners will be temporarily reduced. From 1 July 2009 to 30 June 2012 the co-contribution will be 100%. The co-contribution will then increase to 125% from 1 July 2012 to 30 June 2014 and to 150% from 1 July 2014.

Australia's Retirement Income Plan

The Australia's Future Tax System (AFTS) report on the retirement income system has been released. The AFTS Panel recommends that:

- the superannuation guarantee remain at 9%
- the age at which superannuation can be accessed (preservation age) should be gradually increased to 67 years.

Final recommendations will be deferred until December 2009.



Business Taxpayers

Small Business and General Tax Break

The existing small business tax break will be increased to 50% for eligible assets ordered between 13 December 2008 and 31 December 2009 that are installed by 31 December 2010. Small businesses are those with a turnover of less than \$2 million per year.

The existing 30% and 10% deductions will continue to apply for all other businesses.

PAYG Instalments

From 1 July 2009 the calculation of quarterly PAYG instalments will be adjusted by 2% (rather than 9%) being the expected increase in consumer price index. This should provide a cashflow benefit for small business.

Division 7A and Use of Company Assets

From 1 July 2009 the non-commercial loan (Division 7A) rules will be extended to include the use of company assets such as real estate, cars and boats for free or at less than market value by shareholders and associates. Trusts with profits owing to company beneficiaries may also be subject to this change.

Non-Commercial Losses

From 1 July 2009 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. Therefore the excess deductions will never be utilised if the business activity does not become profitable.

Taxpayers with an adjusted taxable income of \$250,000 or less will continue to be subject to the existing rules.

Removal of Unlimited Amendment Periods

The Australian Taxation Office currently has an unlimited time period to amend certain tax returns. Legislation will be introduced to remove such provisions.

Closely-Held Trusts and Family Trusts

From 1 July 2010 Tax File Number (TFN) withholding tax will apply to distributions from closely-held trusts including family trusts. Such trusts will need to withhold amounts from distributions at the top marginal rate when beneficiaries have not provided their TFN.

Research and Development

From 1 July 2010 the current research and development (R&D) tax concession will be replaced by the R&D tax credit. This tax credit will provide a 45% tax refund for businesses with an annual turnover of less than \$20 million. Businesses with a turnover of more than \$20 million will be entitled to a 40% non-refundable tax credit.

As a transitional measure the R&D expenditure cap for the existing R&D Tax Offset will increase from \$1 million to \$2 million for the 2009-10 income year.

Parental Leave

The Government will provide a paid parental leave scheme from 1 January 2011. Eligible parents will receive a payment equal to the minimum wage for 18 weeks. Primary carers with incomes of less than \$150,000 prior to the child's birth will be eligible. The payment will be subject to income tax. Those eligible for parental leave will be unable to claim the Baby Bonus.

First Home Owners Boost

The First Home Owners Boost grants are paid in addition to the existing \$7,000 grant under the First Home Owners Scheme.

The existing Boost of \$7,000 for established homes and \$14,000 for new homes will be extended until 30 September 2009. The Boost will then reduce by 50% until 31 December 2009.

Tax Compliance Funding

Additional funding of \$595 million will be provided to tackle emerging revenue risks and to promote further confidence in the tax system.

The funding will support four key measures:

- continue the attack on tax havens
- ensure wealthy Australians, medium and large businesses meet their tax obligations as the economy recovers
- address a cash economy and unfair competitive practices
- support small businesses in financial distress

The measures are estimated to collect additional net revenue of \$1.3 billion through enhanced compliance.

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