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Federal Government Stimulus Package

On Tuesday, 3 February 2009 the Federal Treasurer, Mr Wayne Swan announced additional measures to boost economic activity and support jobs during the current financial turmoil. The \$42 billion package was originally blocked by the Senate and on 13 February 2009 the package was passed to include:

- A revised business investment allowance for **business depreciating assets**; and
- A variety of **cash bonuses** for eligible **individuals**

We have summarised below the information available from Treasury on the new measures.

Business Tax Breaks

Revised Business Investment Allowance for Depreciating Assets

In our February 2009 TAXWatch newsletter we advised you about the Federal Government plans announced on 12 December 2008 for a temporary 10% investment allowance to encourage capital investment by Australian businesses.

This temporary investment allowance has now been revised which significantly expands the eligibility and duration of the 12 December 2008 announcement, although the following general eligibility criteria from the 12 December 2008 remain relevant for all businesses seeking to use the allowance.

What assets are eligible?

- All businesses will be able to claim a bonus deduction of either 30% or 10% on expenditure for eligible assets;
- Where your business acquires an eligible asset between 12.01am AEDT 13 December 2008 and the end of June 2009 and has it installed ready for use before the end of June 2010, you will be able to claim a bonus tax deduction of 30% of the cost of the asset;
- Where your business acquires an eligible asset between July 2009 and the end of December 2009 and has it installed ready for use before the end of December 2010, you will be able to claim a bonus tax deduction of 10% of the cost of the asset;

- There are different eligibility spending thresholds for small businesses (one that has a turnover of \$2 million per year or less) and other businesses;
- Small businesses will only need to spend a minimum of \$1,000 per eligible asset in order to qualify for this special deduction;
- Other businesses will be entitled to the same deductions if they spend a minimum of \$10,000 per eligible asset;
- Assets eligible for this allowance are new tangible depreciating assets and new expenditure on existing assets used in carrying on your business and for which you can claim a capital allowance deduction; and
- This bonus deduction is on top of the usual capital allowance (depreciation) deduction that you can claim for eligible assets.

Personal Tax Breaks

Bonus for Working Australians

The Government will provide eligible taxpayers with a tax bonus payment of up to \$900.

Taxpayers will not need to apply for the payment. The Australian Taxation Office will make the payment to taxpayers after determining eligibility for the 2007/08 financial year, eligibility criteria include:

- You are required to lodge your 2007/08 tax return before 30 June 2009 to be considered;
- The amount you are entitled to is as follows:
 - \$900 if taxable income is less than \$80,000
 - If between \$80,000 - \$90,000 will receive \$600, and
 - \$90,000 - \$100,000 will receive \$250
- You are required to have paid tax for 2008 – If you had tax offsets and credits (excludes PAYG withholding and instalments) that reduce your tax payable to nil then you will be ineligible;
- The bonus payments are non-assessable non-exempt income; and
- If you are eligible, the ATO will make payments by EFT or cheque from 6 April 2009.

Single-Income Family Bonus

The Government is providing additional financial assistance to families who rely on one main income earner. This includes, sole parent families and two parent families where one parent chooses to stay at home or balance some paid work with caring for children.

The Bonus will be a one off payment of \$900 per family to every family entitled to Family Tax Benefit Part B (FTB B), irrespective of the number of children. The one off payment will be made by Centrelink in the fortnight commencing 11 March 2009 for families who receive their family assistance as fortnightly instalments.

Family Tax Benefit is paid to the parent who is the primary carer of a child. This payment will go to that parent. Normal rules that apply to the sharing of Family Tax Benefit will apply to this payment, that is, where there is shared care, and a parent has at least 35 per cent of care, the payment will be shared according to the percentage of care.

If you claim as lump sum you will receive the payment when your 2008/09 return is lodged.

Farmers Hardship Bonus (per household)

The Government will make a one-off payment of \$950 to assist farmers experiencing hardship due to drought conditions and others receiving Exceptional Circumstances related income support on 3 February 2009 of:

- Exceptional Circumstances Relief Payment for Farmers;
- Exceptional Circumstances Relief Payment for Small Business;
- Interim Income Support for Farmers;
- Interim Income Support for Small Business;
- Transitional Income Support; and
- Farm Help Income Support.

The Bonus will provide immediate financial support to farmers who are most in need and who may not have sufficient taxable income to benefit from the Tax Bonus.

Payment will be made automatically by Centrelink in the fortnight commencing 24 March 2009.

Back to School Bonus

The Back to School Bonus will be a one-off bonus of \$950 per school age child intended to assist with families' 2009 academic year costs.

The bonus is payable where the following conditions are met:

- The child is aged between 4 and 18 years old on 3 February 2009; and
- The child is eligible for Family Tax Benefit Part A (FTB-A) as at 3 February 2009.

The bonus will be automatically paid by Centrelink to eligible families receiving fortnightly FTB-A payments in the fortnight commencing 11 March 2009 except for families who have chosen to receive FTB-A as an annual lump sum, in which case the bonus would be paid with their lump sum.

The bonus is in addition to the Education Tax refund. Please refer to our February 2009 TAXWatch newsletter for further details.

Training and Learning Bonus

The Training and Learning Bonus is a once-off bonus of \$950 payable to individuals who are recipients of the following Government benefits as at 3 February 2009:

- Youth Allowance;
- Austudy or ABSTUDY;
- Veteran's Children Education Scheme payments;
- Military Rehabilitation and Compensation Act Education and Training Scheme Payments;
- Sickness Allowance or Special Benefit (under pension age); and
- FTB-A where the family has one or more eligible dependant full time students between 21 to 24 years old (the bonus will be paid per student in this case).

Where the above eligibility criteria are met, payment by Centrelink will occur automatically in the fortnight commencing 24 March 2009.

Where a student is receiving the Back to School Bonus, they cannot also receive the Training and Learning Bonus.

If you require further information about how these measures affect you or your business, please contact your William Buck advisor.

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