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2009 FEDERAL BUDGET PRELIMINARY SUMMARY

A "temporary collapse in revenue" has prompted a "program of responsible borrowing" and "longer term nation building projects" by the Rudd Labor Government, as announced in tonight's Federal Budget. The government hopes that this will provide the stimulus needed for the economy, with the aim of bringing the budget back to surplus in the medium term.

Superannuation

- Concessional Contributions thresholds have been halved - \$25,000 for persons under 50 years of age; \$50,000 for those over 50 years of age. \$50,000 cap ceases 30 June 2012. These new thresholds take effect from 1 July 2009.
- Similarly the non-concessional contributions will be limited. The three year rule continues. So instead of being able to contribute \$450,000 in a 3 year period, only \$150,000 will now be allowed for person over 50 (\$75,000 for those under 50).
- The concession to Account based Pensions for the 50% reduction in pensions has been extended for one more year until 30 June 2010.
- The co-contribution will reduce to 100% from 1 July 2009.

Taxation

- Tax rates have changed for Individuals. Lower tax rates will start from \$3 per week and increase up to \$30 per week for Individuals earning \$150,000.
- The Tax Investment Allowance has been increased from 30% to 50% for any new eligible assets purchased between 13 December 2008 and 31 December 2009. These limits apply to Small Businesses Enterprises (turnover of under \$2,000,000 per year).
- Employee Share Plans will not allow deferring of tax. Employee earning more than \$60,000 will not be able to discount the first \$1,000 of share benefits granted.
- The Commissioner will no longer have unlimited time to amend taxpayer's assessments.
- CGT rollover relief has been announced where assets are being transferred between fixed or unit trusts. Assets can now be transferred without incurring a CGT liability. Effect 1 November 2008.
- Non-commercial Loss rules will now apply to taxpayers with income of over \$250,000.

Infrastructure

- Large capital expenditure of \$22 billion projects for Ports, Rail systems, and Road highway systems in all States
- National Broadband system has been outlined with Tasmania set to benefit first.

Environment

- Solar Power initiatives have increased with rebates for hot water systems up from \$1,000 to \$1,600.
- Carbon Pollution Reduction Scheme will start on 1 July 2011.

Research and Development

- From 2010/11, the current R&D concession will be replaced by the R&D Tax Credit. The government will consult further on the eligibility criteria in developing legislation for the new tax credit. A consultation paper will be released in the next few months.
- The new R&D tax credit will provide a 45% refundable credit for firms with an annual turnover of less than \$20m (i.e. equivalent to a 150% deduction). The credit will be available to small companies in a loss position, with no limit on the level of R&D expenditure undertaken.

Philanthropy

- The government has released its interim response to the High Court decision in FC of T v Word Investments Ltd 2008 ATC 20-072.
- The government will provide a mechanism to conduct a triennial review of the guidelines for, and organisations on, the four deductible gift recipient registers, with effect from the 2009/10 income year.

Other measures

- Private health Insurance: the 30% rebate will be reduced for those earning over \$75,000 and families earning over \$150,000. Singles earning over \$120,000 and families earning over \$240,000 will not receive any rebate.
- First HomeOwners Grant scheme has been extended to 31 December 2009, but halved from 1 October 2009.
- The Retirement age for government pensions will increase to 67 years of age.