



Chartered
Accountants
Business
Advisors



Practice Update

Please read this update
and contact this office
if you have any queries

JUNE 2009

Budget 2009

The Rudd Government delivered its second Budget on 12 May 2009 under very different circumstances to those for its first Budget.

The main tax and superannuation-related changes have been summarised in this Update, but if you would like to discuss how the Budget directly affects you, please contact our office.

The clock is ticking for salary sacrificing to super

Anyone wanting to salary sacrifice their income/remuneration into superannuation should seriously consider doing so before 30 June this year, for two main reasons.

First, the Government has announced that the concessional contribution caps (i.e., the maximum amount of deductible superannuation that can be contributed to a superannuation fund in respect of a particular member that is only taxed at 15%) will be halved from 1 July 2009, basically:

- ◆ to \$25,000 (indexed) p.a. for individuals aged under 50 (from the existing \$50,000 indexed amount); and
- ◆ to \$50,000 (non-indexed) p.a. for individuals aged 50 or more (from the existing \$100,000).

Editor: The cap on non-concessional contributions (i.e., undeducted contributions from after-tax dollars) will remain \$150,000 p.a. for the 2010 income year.

Secondly, from 1 July 2009, reportable superannuation contributions, including salary sacrificed superannuation, will be taken into account when evaluating a taxpayer's entitlement to a number of benefits, including the superannuation co-contribution, the Baby Bonus, and dependant tax offsets, as well as various liabilities, such as the Medicare Levy Surcharge and child support.

Contributions received by the super fund on or before 30 June 2009 will be assessed against the existing concessional contribution caps, and will not be included in 'adjusted taxable income'.

Editor: Although there is only a month left until the end of the 2009 income year, call us to talk about the possibilities of sacrificing, this year, unearned future income beyond 30 June 2009.

Super co-contribution reminder

Super fund members who are eligible to receive the Government's super co-contribution of up to 150% of their personal contributions (up to \$1,500) need to make their contributions before 30 June 2009.

Editor: To be eligible to receive a co-contribution, a taxpayer's 'total income' (assessable income plus reportable fringe benefits) must be less than \$60,342, and at least 10% of that total income must be from employment (e.g., salary and wages) or business activities.

Budget update: From 1 July 2009, the co-contribution matching rate will be reduced from 150% to 100% (i.e., the maximum co-contribution will be \$1,000).

Small Business Tax Break Boost

The Small Business and General Business Tax Break has been increased to 50% for small business entities (or SBEs) – i.e., basically small businesses with an annual turnover of less than \$2 million.

A deduction of 50% (instead of the 30% or 10% deduction) will be available to SBEs that order an eligible asset between 13 December 2008 and 31 December 2009, and install it ready for use by 31 December 2010.

Editor: Note that, even though the 50% deduction may be available for assets purchased after 30 June 2009, it can only be claimed in the 2009 tax return if the asset is acquired and installed by 30 June 2009 (otherwise, it may still be claimed, but in a future tax return).

All other businesses can continue to access the Tax Break at 30% for eligible assets contracted for prior to 30 June 2009 (and installed by 30 June 2010), and 10% for eligible assets that they commit to investing in between 1 July 2009 and 31 December 2009 (which are installed by 31 December 2010).

Other Budget changes

Further initiatives announced in the 2009 Federal Budget include:

- From 1 July 2009, the income tax exemption for **foreign employment income** will basically be abolished;
- From 1 July 2010, the Private health insurance rebate will effectively be reduced to nil for single taxpayers with a taxable income greater than \$120,000 and couples with joint taxable incomes greater than \$240,000;
- The **age pension age** (for both men and women) will be gradually increased from age 65, commencing on 1 July 2017, and reaching age 67 on 1 July 2023;
- Taxation of shares or rights acquired under **Employee Share Schemes** will be reformed;
- From 1 July 2009, the **deemed dividend rules will be extended** to include situations where a shareholder of a private company (or their associate) uses company assets such as real estate, cars and boats, for free or at a discounted rate.

- The Government will **halve the minimum payment amounts** for account-based pensions for 2010 (e.g., the current minimum 4% drawdown for people under the age of 65 will be reduced to 2%).
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FBT car parking threshold

The car parking threshold for the FBT year commencing on 1 April 2009 is \$7.25 (up from the amount of \$7.07 that applied in the previous FBT year).

Watch out for superannuation scams...

The Government is warning people to exercise extra care in protecting their superannuation account statements and personal details, in response to NSW Police Force information that a Sydney-based fraud syndicate is using stolen identities to steal from victims' superannuation accounts.

The syndicate has allegedly stolen superannuation statements and used other counterfeit identity documents to operate SMSFs, open bank accounts linked to the fraudulent SMSF, and then arrange for cash to be 'rolled over' from legitimate funds into the fraudulent accounts.

As a general rule, people should:

- shred any personal financial information they want to dispose of;
 - be cautious about what personal information they provide over the phone and to whom they provide it; and
 - make a habit of checking their paper-based and online super fund statements to ensure there are no unauthorised transactions.
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...and dodgy tax schemes

The Tax Office is conducting a national awareness program to help taxpayers protect themselves against promoters marketing dodgy tax schemes.

In the current financial climate, they are concerned promoters may increase the marketing of high risk tax schemes and scams, taking advantage of the recent financial vulnerability of many taxpayers.

Concerned individuals may wish to consult the Tax Office's fact sheet '*Tax planning – investigate before investing*', which provides warnings to investors.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.