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Changes
Proposed
in last night's
Budget

B U D G E T

Budget snapshot – Taxation

1. Income splitting targeted by removing the ability of minors (under 18) to get a low income tax rebate on unearned income (eg. trust distributions, interest, dividends)
2. Small businesses can claim an immediate deduction of \$5,000 on the purchase of a new vehicle after 1 July. The balance of the purchase price will be depreciated under normal rules.
3. The “statutory method” of calculating car Fringe Benefits will change for cars purchased from 10 May 2011. The change will be phased in over 4 years with a flat rate of 20% across all travel brackets to be in place by 1 April 2014.

Distance travelled during the FBT year (1 April - 31 March)	From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 - 15,000 km	0.20	0.20	0.20	0.20
15,000 - 25,000 km	0.20	0.20	0.20	0.20
25,000 - 40,000 km	0.14	0.17	0.20	0.20
More than 40,000 km	0.10	0.13	0.17	0.20

4. Taxpayers with a taxable income between \$50,001 and \$100,000 will pay a flood reconstruction levy of 0.5% of taxable income. An extra 1% levy will be paid on taxable income over \$100,000.
5. The Medicare levy thresholds will be increased for low income earners from 1 July 2010. Individuals will increase to \$18,839 and families will increase to \$31,789.
6. Changes will be made to HECS with a reduction of the discount for up-front payment of university fees being reduced from 20% to 10%.
7. The company tax rate for “Small Business” will reduce to 29% for the 2012/13 tax year.
8. The Entrepreneur Tax Offset will be scrapped from 1 July 2012.
9. The Dependent Spouse will be phased out from 1 July 2011 where your spouse is aged less than 40. Some exceptions will apply to these changes.
10. Low income wage earners will get an increase in their take-home pay via an increase in the amount of low income tax offset available “at source”. Instead of getting the benefit of the rebate on your tax assessment, your regular pay will be increased so you have access to those funds on a more timely basis. Note that the total amount of rebate won't change.

Budget snapshot – Superannuation

1. **Reduction in the minimum pension drawdown**
The Government will phase out the pension drawdown relief that has been provided over the last three years. Minimum payment amounts for account-based, allocated and market linked pensions will be reduced by 25% for 2011-12 and will return to normal in 2012-13. For example, for 2011-12, the minimum payment amount for a pensioner under age 65 will be 3% of the account balance (instead of the normal 4%).
2. **Increased SMSF levy from \$150 to \$180**
The SMSF levy will increase by \$30 to a total of \$180 with effect from the 2010-11 financial year. This is in part to fund the cost of the Government providing \$40.2 million over 5 years to the ATO and \$8.4 million over 4 years to the ASIC to implement a range of measures relating to the SMSF Stronger Super reforms (as well as more audits!).
3. **Minor relief on excess contributions**
The Government will provide eligible individuals with the option to have excess concessional contributions taken out of their superannuation fund and assessed as income at their marginal rate of tax, rather than incurring excess contributions tax. This measure will apply where an individual has made excess concessional contributions of up to \$10,000 (not indexed) in a particular year and will only be for breaches in respect of 2011-12 or later years, and only for the first year in which the breach occurs.
4. **Raised contribution cap for over 50s**
If you are age 50 or over and your superannuation balance is less than \$500,000, then you will be able to contribute up to \$25,000 above the “general” concessional cap. Once your member account reaches \$500,000 then you are no longer eligible for the increased contributions cap. This will be effective from 1 July 2012.
5. **Government co-contribution**
In last year's budget the Government announced that the income thresholds for the superannuation co-contribution would be frozen until 30 June 2012. This year the Government announced that this freeze will continue for an additional year.
6. **More heat on SMSF auditors**
The Government will provide \$2.8m to ASIC to develop a facility for the online registration of approved auditors of SMSFs from 1 July 2012. There will also be the introduction of SMSF auditor registration fees from this time also.
7. **Greater use of TFNs**
The Government will allow superannuation fund trustees to make greater use of TFNs to locate member accounts and to facilitate the consolidation of multiple member accounts.
8. **Payslips**
The Government will ensure that employees receive information on their payslips about the amount of superannuation actually paid into their account. Employees and employers will also receive quarterly notification from their superannuation fund if regular payments cease, with effect from 1 July 2012.



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