

2011 Federal Budget Summary

Superannuation

Excess contributions tax relief from 1 July 2011

The Government has announced it will provide a once-only opportunity to withdraw excess concessional contributions made during the 2011/12 or later financial years. This withdrawal opportunity is limited to excess concessional contributions of up to \$10,000 (not indexed). Instead of being subject to excess concessional contributions tax of 31.5% and contributions tax within a super fund, the refunded excess concessional contributions will be assessable personally to the client and taxed at their marginal tax rate.

Operation of higher concessional cap for those over 50 from 1 July 2012

The Government has amended its previous announcement regarding a permanently higher concessional cap for those aged 50 or over with a total super balance of less than \$500,000. The Government has now proposed that the higher concessional cap for eligible clients will be \$25,000 higher than the standard concessional cap. This replaces the Government's existing proposal (in a discussion paper released on 28 February 2011) that a non-indexed cap of \$50,000 would apply.

Reduction in the minimum payment amounts for account-based pensions in 2011/12

The Government has announced that minimum payment amounts for account based, allocated and market linked (term allocated) pensions will be set at 75 per cent of legislated minimums for 2011-12 and will then return to normal in 2012/13.

The minimum annual income payment for an account-based pension will be calculated as a percentage of the account balance as follows:

Minimum annual payment

Age	2010/11 Proposed	2011/12 Proposed	2012/13
Under 65	2%	3%	4%
65-74	2.5%	3.75%	5%
75-79	3%	4.5%	6%



80-84	3.5%	5.25%	7%
85-89	4.5%	6.75%	9%
90-94	5.5%	8.25%	11%
95 and more	7%	10.5%	14%

Government co-contribution income threshold indexation frozen until 2012/13

The Government has announced that it will extend the freeze on indexation of the co-contribution income thresholds to 2012/13. Therefore, the lower and upper co-contribution income thresholds will remain at \$31,920 and \$61,920 respectively until 30 June 2013.

Super contribution information disclosure from 1 July 2012

The Government has reconfirmed its election commitment to ensure employees receive information through their pay slips on the amount of super contributions paid into their super account. In addition, the Government plans to require super funds to notify employees and employers on a quarterly basis if regular contributions cease.

Self Managed Super Fund levy increase from 1 July 2010

The Government has announced it will increase the annual SMSF levy by \$30 (to \$180 per year) to pay for a range of measures relating to the SMSF sector that were announced as part of the stronger super reforms.

Taxation

Minors ineligible for LITO on unearned income from 1 July 2011

The Government intends to remove access to the low income tax offset (LITO) for minors (i.e. children under 18 years of age) in respect of unearned income, including dividends, rent, royalties and other property income.

The purpose of this measure is to discourage income splitting between adults and children, including through family trusts.

Minors who are exempt from the unearned income rules (e.g. disabled minors) will retain access to LITO. In addition, minors receiving income that is exempt from the unearned income rules (e.g. income from work, compensation payments and inheritances) will be eligible for LITO on this income.

This proposal reduces the effective tax-free threshold of a minor from \$3,333 to \$416, with all income above this amount taxed at child penalty tax rates. From 1 July 2011, many family trusts will need to rethink

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making distributions of assessable income to minors, as such a strategy will be far less tax-effective.

Increasing proportion of LITO allowed for in PAYG withholding from 1 July 2011

Current PAYG withholding schedules allow for 50% of the low income tax offset (LITO) to be factored into an employee / pensioner's regular income tax withholding. The Government plans to increase this proportion to 70%.

While the maximum LITO and income qualification thresholds will remain unchanged, this proposal will allow a modest increase in a LITO recipient's take home pay throughout the financial year.

Valuing cars for FBT purposes - change to flat 20% statutory percentage for new contracts entered into from 10 May 2011

The Government will change the statutory method of calculating the taxable value of cars for fringe benefits tax (FBT) purposes.

Distance travelled during FBT year	Statutory rate (multiplied by the cost of the car)				
	Existing contracts	New contracts entered into after 7:30am, 10 May			
		From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 – 15,000 km	0.26	0.20	0.20	0.20	0.20
15,000 – 25,000 km	0.20	0.20	0.20	0.20	0.20
25,000 – 40,000 km	0.11	0.14	0.17	0.20	0.20
40,000 + km	0.07	0.10	0.13	0.17	0.20

Instant tax write-off for small business motor vehicles from 1 July 2012

For small business clients who purchase motor vehicles, the Government will provide an instant tax write-off equal to the first \$5,000 of the purchase price.

The remaining purchase price can be depreciated in the general depreciation pool at a rate of 15% in the first year and 30% in future years (the current method for the whole vehicle value).

This measure will apply to all types of small businesses structures, including sole traders, companies, partnerships and trusts, and all types of motor vehicles used in the business.



Removal of Entrepreneurs Tax Offset (ETO) from 1 July 2012

The ETO, which provides a tax offset for eligible small businesses with aggregated turnover under \$75,000, will be abolished.

Deductions against government assistance payments disallowed from 1 July 2011

The Government will amend the tax law to prevent deductions being claimed against all government assistance payments. Students who receive Youth Allowance and who have maintained records of their expenditure will be able to claim a deduction for expenses incurred in gaining their payment for the 2010-11 income year.

Phase out of dependent spouse tax offset for spouses under 40 from 1 July 2011

This offset will be phased out for dependent spouses who are aged under age 40 (i.e. born on or after 1 July 1971). This amendment will not affect those people whose dependent spouses are carers, taxpayers with children eligible for Family Tax Benefit B, people who are permanently unable to work and taxpayers eligible for the zone, overseas forces or overseas civilian tax offsets.

Reduction in Higher Education Contribution Scheme (HECS) discounts from 1 January 2012

Discounts applying to payments made under the Higher Education Contributions Scheme will reduce as follows:

- the discount for up-front payments will reduce from 20 per cent to 10 per cent, and

- the bonus on voluntary payments to the ATO of \$500 or more will reduce from 10 per cent to 5 per cent.

Increased Medicare levy low income threshold from 1 July 2010

The Government will increase the Medicare levy low income threshold to \$18,839 for individuals and \$31,789 for families. The additional amount of threshold for each dependent child or student will also increase to \$2,919. The Medicare levy threshold for pensioners below age pension age will also increase to \$30,439.

Social security

Disability support pension work and participation requirements from 1 July 2012

The Government plans to introduce two measures relating to eligibility for disability support pension (DSP).

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The first of these will allow all DSP recipients to work up to 30 hours per week for up to two years and remain eligible for a part pension. This will allow those granted DSP since May 2005 (who can only work up to 15 hours per week before their payment is affected) to test whether they can work more hours but are worried about losing their eligibility for DSP. Under the second measure, the Government intends to introduce participation requirements for all (new and existing) DSP recipients under the age of 35 with some work capacity. Those who are assessed as having a partial work capacity of eight or more hours per week and are not working will be required to attend Centrelink interviews and to engage in relevant participation activities. These activities, specific to those with a disability, may include working with 10 employment services to improve job readiness, searching for employment, undertaking training, volunteering or rehabilitation.

Youth Allowance and Newstart Allowance – changes to eligibility criteria from 1 July 2012

Youth Allowance (other)

Eligibility and the parental means test for recipients will be extended to 21 years of age (currently 20).

Income free area will increase from \$62 to \$143 per fortnight.

Working Credit bank limit will increase from \$1,000 to \$3,500.

Newstart Allowance

Will be closed to new applicants under 22 years of age (currently 21). Increased obligations for very long term unemployed job seekers

Those who are in their second year in the Work Experience Phase will be required to undertake work experience for 11 months of the year.

Paid Paternity Leave deferred implementation start date to 1 January 2013

The Government will defer the implementation of Paid Paternity Leave by six months from 1 July 2012 until 1 January 2013. This scheme will provide two weeks paternity leave paid at a rate equivalent to the national minimum wage to eligible working fathers, and other partners who are providing full-time care or sharing the child's care, for children born on or after 1 January 2013.

Increase in family tax benefit part A for certain children aged 16-19 and cap eligibility to child under 22 from 1 January 2012

The Government will increase the maximum rate of family tax benefit part A paid in respect of a child aged 16 to 19 who attends full-time school or vocational study to the same rate paid for 13 to 15 year olds. This will

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increase the FTB part A by up to \$4,208 a year for 16 and 17 year olds, and up to \$3,741 a year for 18 and 19 year olds.

The eligibility for FTB part A will be limited to children up to age of 21 years irrespective of whether they are a dependent full time student or not.

Advance payment of family tax benefit part A from 1 July 2011

The Government will allow families to take:

One-off advance payment of up to 7.5% subject to a maximum of \$1,000 of annual FTB part A entitlement at any point throughout the year; and/or

A continuous advance payment of at least \$160 every six months. These advance payments will be subject to an assessment of a family's ability to repay the advance without falling into financial hardship. The advances will be repaid over six months by reducing future fortnightly FTB payments.

Retirees

Changes to the assets test for the age pension – available to those over 65 – deliver additional flexibility. The details of the changes are as follows:

- A home owning couple can now have up to \$991,000 in assets (excluding the value of their home) and receive some part age pension.
- A non-home owning couple can now have up to \$1.126 million in assets and receive some part age pension.
- A home owning single can now have up to \$668,000 in assets (excluding the value of their home) and receive some part age pension.
- A non-home owning single can now have up to \$799,500 in assets and receive some part age pension.

One of the most overlooked announcements from the 2011 budget was the "work bonus", which gives retirees the option of boosting their retirement savings by \$6500 each year before their pensions are affected. Retirees will be able to earn an extra \$125 per week without losing any of their pension.