

# CARBONI & CO

CHARTERED ACCOUNTANTS



“Making Your  
Business Count”

## REPORTS



### 2011 Federal Budget

#### Overview

#### INDIVIDUAL TAXATION

Individual tax rates will remain virtually unchanged for the 2010/11 financial year. The rates are as follows:

Tax threshold levels - flood levy comparison			
Current, and from 1 July 2011 for those NOT subject to the flood levy		2011-12 (for those subject to the flood levy)	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0
6,001 - 37,000	15	6,001 - 37,000	15
37,001 - 80,000	30	37,001 - 50,000	30
80,001 - 180,000	37	50,001 - 80,000	30.5
180,001 +	45	80,001 - 100,000	37.5
		100,001 - 180,000	38
		180,001 +	46

- The above rates do not include the Medicare levy of 1.5% of taxable income and medicare levy surcharge (if applicable).

#### Personal tax changes announced include:

<b>Flood Levy</b>	<ul style="list-style-type: none"> <li>• Generally the flood levy will apply to individual taxpayers who have a taxable income over \$50,000 in the <b>2011-12</b> financial year.</li> <li>• If an individual has a taxable income of \$50,000 to</li> </ul>
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	<p>\$100,000 the levy is .5 for income above \$50,000.</p> <ul style="list-style-type: none"> <li>For an individual with a taxable income of greater than \$100,000 the levy is 1% for income above \$100,000 and .5% for income above \$50,000</li> <li>Individuals are exempt if they were affected by a natural disaster during 2010 – 2011 and received an Australian Disaster Recovery Payment.</li> </ul>
<b>TAX PLANNING TIP</b>	<ul style="list-style-type: none"> <li>Although the flood levy is small, individuals who will be affected can include income in the year ended 30 June 2011 rather than in the year ended 30 June 2012. For eg sell shares in the year ended 30 June 2011 rather than the year ended 30 June 2012 to avoid the flood levy.</li> </ul>
<b>Minors no longer entitled to low income offset on unearned income</b>	<ul style="list-style-type: none"> <li>Minors (children under 18) will not be able to access the low income tax offset (LITO) to reduce tax payable on income such as dividends, interest, rent, royalties &amp; other income from <b>1 July 2011</b>.</li> <li>Income earned by minors from work will still be eligible for the full benefit of the LITO.</li> </ul>
<b>No deductions against Govt assistance payments</b>	<ul style="list-style-type: none"> <li>The government will amend the tax law to prevent deductions being claimed against all government assistance payments, <b>from 1 July 2011</b>.</li> </ul>
<b>Dependent spouse rebate for spouses under 40 removed</b>	<ul style="list-style-type: none"> <li>The tax offset for dependent spouses aged less than 40 will not be available from <b>1 July 2011</b>.</li> </ul>
<b>Low income offset: accessed during year</b>	<ul style="list-style-type: none"> <li>From <b>1 July 2011</b> the government will increase the proportion of the low income tax offset (LITO) that is received through workers' pay packed from 50% - 70%. Instead of accessing the low income rebate with taxpayers tax return. They are taxed less during the year</li> </ul>
<b>Family tax benefit, baby bonus, etc</b>	<p>From <b>1 January 2012</b></p> <ul style="list-style-type: none"> <li>maximum rate of FTB Part A for 16-17 years in secondary education will increase from \$52.64 per fortnight to \$214.06. The rate for 18-19 year olds will also increase</li> <li>The government will lower the maximum age eligibility for FTB Pt A from 24 to 21</li> <li>There will be indexation pauses (FTB will not increase in line with inflation) for eg: -</li> </ul>



	<ul style="list-style-type: none"> <li>❖ The FTB Pt B primary earner income limit will remain at \$150,000</li> <li>❖ The paid parental leave income limit will stay at \$150,000 for the primary carer in the previous financial year before the birth of the child.</li> <li>❖ The higher income free area of FTB Pt A will remain constant.</li> </ul> <p>Fortnightly payments rate for FTB &amp; Baby bonus will continue to be indexed each year.</p>
<b>Super: Excess contributions tax refund option</b>	<ul style="list-style-type: none"> <li>• From <b>1 July 2011</b> For taxpayers who breach the concessional contributions cap by up to \$10,000 there is an option to request that the excess contributions be refunded to them.</li> <li>• Concessional contributions cap is the maximum amount that a taxpayer may claim as a deduction in the taxpayers tax return.</li> </ul>
<b>Concessional contributions</b>	<ul style="list-style-type: none"> <li>• Concessional contributions include employer contributions &amp; personal contribution for which the taxpayer intends to claim a deduction.</li> <li>• Since 09 -10 the concessional contributions cap has been set at \$25,000 (\$50,000 for those aged 50-74 until 30 June 2012).</li> <li>• Government has proposed to allow individuals aged 50 and over with less than \$500,000 in super to contribute \$25,000 more per year than other individuals from <b>1 July 2012</b></li> </ul>
<b>Minimum pension drawdowns</b>	<ul style="list-style-type: none"> <li>• The minimum annual payment amounts for pensions &amp; annuities will be reduced by 25% for <b>2011 – 2012</b> and return to normal in 2012 – 2013.</li> </ul>
<b>Superannuation co-contribution indexation freeze</b>	<ul style="list-style-type: none"> <li>• The government superannuation co-contribution is a contribution that the government provides that matches the individuals personal contribution if the taxpayer has income within certain limits.</li> <li>• The government co-contribution is up to \$1,000 for people with incomes of up to \$31,920 in 2010-11. The amount phases out with incomes up to \$61,920. These thresholds will remain the same.</li> </ul>
<b>Superannuation on payslips</b>	<ul style="list-style-type: none"> <li>• <b>From 1 July 2012</b>, employees will be required to record on employees payslip the amount of superannuation actually paid into the employees account. Employees &amp; employers will receive notification if regular payments are not being made.</li> </ul>



**BUSINESS TAXATION CHANGES:**

<b>Small business motor vehicle write-off to replace Entrepreneur's tax offset</b>	<ul style="list-style-type: none"><li>• From <b>1 July 2012</b>, the government will provide small business with an instant tax write-off of the first \$5,000 of any motor vehicle purchased.</li><li>❖ This proposal is in addition to the proposed tax reform that an immediate write-off of all assets valued at under \$5,000 (currently \$1,000).</li><li>❖ A reduction in company tax rate to 29% for incorporated small business.</li></ul>
<b>FBT – Flat 20% valuation rate for cars</b>	<ul style="list-style-type: none"><li>• At present, there are 4 rates applied to calculate car fringe benefit using the statutory method depending on number of kilometers travelled. The government proposes to remove the 4 rates &amp; replace these rates with a flat 20% regardless of kilometers travelled.</li><li>• This measure will be <b>phased in</b> (different rates will still exist) from <b>10 May 2011</b> until 1 April 2013 where there will be a flat 20% regardless of kilometers travelled.</li><li>• People who use their car for significant amount of business travel can still use the “operating cost” to make certain car fringe benefit excludes business use.</li><li>• The flat 20% will simplify the FBT rules &amp; remove the incentive to drive more kilometers to reduce the FBT.</li></ul>
<b>Changes to Not-for profit (NFP) sector</b>	<ul style="list-style-type: none"><li>• From <b>1 July 2011</b> Charities will pay income tax on profits from <b>unrelated</b> commercial activities.</li><li>• The government will introduce a statutory definition of “Charity” for all commonwealth laws. (There may be changes to the status of some NFPs)</li><li>• The government will establish an independent agency, The Australian Charities &amp; not-for-profits Commission. This agency will determine if an entity entitled to legal status of charity under Commonwealth laws.</li></ul>

