

CARBONI & CO

CHARTERED ACCOUNTANTS



“Making Your
Business Count”

REPORTS



2012 Federal Budget

Overview

The Federal Budget for the coming year was handed down on Tuesday 8th May 2012. The budget made several tax changes affecting individuals including the doubling of superannuation contributions tax for those on incomes above \$300,000. Assuming eligibility to claim, two years from 1 July 2012, everyone will be entitled to make only \$25,000 in concessional contributions to their super. The mature age offset will be phased out. A bonus cash payment is to replace education tax offset.

On the business side, companies will be allowed to offset past profits against current year losses and get a refund of tax previously paid on that profit. The living away from home allowance (LAHFA) will be limited.

INDIVIDUAL TAXATION

The government did not make any changes to currently legislated tax rates for residents. These are to apply from 1 July 2012 (bill was passed and received royal assent 2011). The flood levy will cease 30.06.12. The rates are as follows:

Personal income tax rates and thresholds						
	2011 - 12		2012 - 13		2015 - 16	
1st rate	\$ 6,001	15%	\$ 18,201	19%	\$ 19,401	19%
2nd rate	\$ 37,001	30%	\$ 37,001	32.5%	\$ 37,001	33%
3rd rate	\$ 80,001	37%	\$ 80,001	37%	\$ 80,001	37%
4th rate	\$ 180,001	45%	\$ 180,001	45%	\$ 180,001	45%

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

BUDGET 2012 SUMMARY

- From 1 July 2012, the tax-free threshold will be increased to \$18,200 and first 2 marginal tax rates will be increased from 15% to 19% and 30% to 32.5% respectively.
- From 1 July 2015, the tax-free threshold will be \$19,400 and second marginal tax rate will increase from 32.5% to 33%

Personal tax changes announced include:

<p>No strings schoolkids bonus cash payment to replace Education tax offset</p>	<ul style="list-style-type: none"> • Each year, families will receive the Schoolkids bonus worth which is tax-free: - <ul style="list-style-type: none"> ➤ \$410 for each child in primary school ➤ \$820 for each child in high school • This will replace Education Tax Refund from 1 January 2013. • Parents don't need to keep receipts and no paperwork is required. • The payment will be paid upfront before the start of Term 1 and Term 3 in January and July. • The payment will be available to families receiving Family Tax Benefit Part A plus young people in school receiving Youth Allowance.
<p>Limit on Eligible Termination Payment (ETP) offset for "golden handshakes"</p>	<ul style="list-style-type: none"> • From 1 July 2012, only that part of an affected ETP, such as a "golden handshake", that takes a person's taxable income (including the ETP) above \$180,000 will not receive the ETP tax offset. Amounts above this will be taxed at individual's marginal tax rate. • At present the ETP offset ensures ETPs are taxed at maximum of 15% or 30% depending on preservation age up to indexed cap (\$175,000 in 2012-13).
<p>Changes to Family Tax Benefit Part A</p>	<ul style="list-style-type: none"> • From 1 January 2013, the Government will limit eligibility for FTB Part A to young people less than 18 years of age. • From 1 July 2013 the government will increase the maximum payment rate of FTB Part A by \$300pa for families with one child and \$600 pa for families with 2 or more children • For families receiving the base rate of FTB Part A, the increase will be \$100pa for families with 1 child and \$200pa for families with 2 or more children.
<p>Mature age worker offset to be phased out</p>	<ul style="list-style-type: none"> • The government will phase out the mature tax offset from 1 July 2012 for taxpayers born on or after 1 July 1957. • Access to the tax offset will be maintained for taxpayers

Phone: (02) 99072985 Fax: (02)9907 2786

Liability Limited by a Scheme, approved under the Professional Standards legislation



BUDGET 2012 SUMMARY

	<p>who are aged 55 years or older in 2011 – 12.</p> <ul style="list-style-type: none"> The government will provide a jobs bonus of \$1,000 to 10,000 employers who recruit and retain a worker aged 50 or over for 3 months.
Means testing medical expenses offset	<ul style="list-style-type: none"> From 1 July 2012, people with high incomes (\$84,000 for singles and \$168,000 for couples/families in 2012-13) the threshold which taxpayer may claim offset will be increased to \$5,000 from \$2,000. The rate of re-imbusement will be decreased from 20% to 10%. The tax rebate will therefore be 10% of medical expenses above \$5,000 for high income earners.
Superannuation contributions tax to double to 30% for incomes above \$300,000	<ul style="list-style-type: none"> From 1 July 2012, the tax rate on concessional contributions (deductible contributions) for individuals with income greater than \$300,000 will double from 15% to 30%.
Higher concessional contributions cap for over 50s deferred to 1 July 2014	<ul style="list-style-type: none"> The proposed higher concessional contributions cap for individuals over aged 50 and over with superannuation balances below \$500,000 will be deferred from 1 July 2012 to 1 July 2014. All taxpayers regardless of age, will be subject to a concessional contributions cap of \$25,000 for the 2012-13 year and 2013 – 14 income years. Excess contributions still subject to excess contributions tax. In 2014-15, the general cap is expected to increase to \$30,000 through indexation, and the higher cap would then commence at \$55,000 for eligible taxpayers aged 50 and over.
TAX PLANNING TIP	<ul style="list-style-type: none"> Taxpayers will need to review their strategies before 1 July 2012 when the concessional contributions cap for those aged 50 and over will drop from \$50,000 to \$25,000 for 2012 – 13 and 2013 – 14.
Low income supplement under Clean Energy Scheme – Government reminder	<ul style="list-style-type: none"> From 1 July 2012 a low income supplement of \$300 is available to people in low-income households who can show they did not receive enough assistance through tax cuts or other household assistance payments. People who may be eligible for the supplement if they have annual adjusted taxable income of less than \$30,000 for singles, \$45,000 for couples and \$60,000 for people with dependent children.



BUSINESS TAXATION CHANGES:

Businesses to be allowed to carry-back losses.	<ul style="list-style-type: none">• From 1 July 2012, the companies will be allowed to offset past profits against current year losses and get a refund of tax previously paid on that profit.• Companies will be able to carry back up to \$1 million worth of losses to get a refund of tax paid in the previous year.• From 1 July 2013, companies will be able to carry back up to \$1 million worth of losses against tax paid up to 2 years earlier.
Living Away From Home Allowance (LAHFA) changes announced	<p>The changes to apply from 1 July 2012 (subject to exceptions) are to: -</p> <ul style="list-style-type: none">• Limit access to the tax concession to employees who maintain a home for their own use in Australia, that are living away for work.• Provide the tax concession for a maximum period of 12 months in respect of an individual employee for any particular work location. <p>These changes will now exclude visitors to Australia on temporary visas from any LAFH tax concessions except fly-in fly-out arrangements.</p>
Bad debts – related party financing deduction denial	<ul style="list-style-type: none">• A tax deduction will be denied for a bad debt written off where the debtor is a related party not in the same tax consolidated group.• The gain to the debtor will also not be taxed.
Removal CGT discount for non-residents	<ul style="list-style-type: none">• The 50% CGT discount for non-residents on capital gains accrued after 8 May 2012 will be removed.

Note: - The above is general advice only. Specific advice particular to circumstances should be sought.

