



**REPORTS**

**MAY/JUNE 2006 – BUDGET BRIEF**

**1. PROPOSED CHANGES TO BUSINESS**

- **Fringe Benefits Tax** - Reduction in FBT rate from 48.5% to 46.5%
  - Takes effect from 1 April 2006
  - The minor fringe benefits exemption threshold is to be increased from \$100 to \$300
- **GST** – The government will increase the cash accounting turnover threshold from \$1 million to \$2 million for GST.
- **Depreciation arrangements** – Increase the diminishing value rate from 150% to 200 % for all eligible assets. This is equal to a 33% increase in the allowable depreciation for all of these assets.
- **Small Business CGT concessions** – These concessions which allow concessions to capital gains tax will be amended to make them simpler and reduce compliance costs for business.
- **Trust distributions to non-resident beneficiaries:** the Government will require resident trustees to pay tax on distributions to non-resident trustee beneficiaries;
- **International tax:** the Government intends to ensure there is consistent tax treatment of foreign dividends received by Australian companies.

**2. PROPOSED CHANGES FOR INDIVIDUALS**

**Personal Income Tax Cuts** – The 2006-07 budget provides cuts to personal income tax worth \$36.7 billion (including the reduction in the fringe benefits tax rate) over the next four years. The top marginal tax rate has been reduced from 47% to 45% and marginal rate of 42% has been reduced to 40%.

Tax rates 2006-07

<i>Taxable income</i>	<i>Tax on this income</i>
\$0 – \$6,000	Nil
\$6,001 – \$25,000	15c for each \$1 over \$6,000
\$25,001 – \$75,000	\$2,850 plus 30c for each \$1 over \$25,000
\$75,001 – \$150,000	\$17,850 plus 40c for each \$1 over \$75,000
Over \$150,000	\$47,850 plus 45c for each \$1 over \$150,000





The above rates **do not** include the Medicare levy of 1.5%

- **Senior Australian Tax Offset increased** – From 1 July 2006, senior Australians who receive the Senior Australians Tax Offset will be able to earn more income without paying tax. Singles will be able to have taxable income up to \$24,867 and couples up to \$41,360.
- **Increase in Medicare levy thresholds** – From the 2005-06 year, the Medicare levy low-income threshold will increase to \$16,824 for individuals and \$27,478 for families.
- **Part-year tax free threshold for students removed** – The part-year tax-free threshold for taxpayers ceasing full-time education, with effect from the 2006-07 income year will be removed.
- **Low income tax offset increased** – From 1 July 2006, the low income tax offset will increase from \$235 to \$600 and will phase-out from \$25,000.

### **3. PROPOSED CHANGES TO SUPERANNUATION**

- Australians aged 60 and over who have already paid tax on their superannuation contributions would not pay tax on their superannuation benefits from 1 July 2007.
- Reasonable Benefit Limits will be abolished
- Age-based deduction limits will be removed. Deductible contributions up to a limit of \$50,000 per person per annum will be taxed at a concessional rate of 15%. Undeducted contributions will be limited to \$150,000 in a year.
- The ability to make deductible superannuation contributions will be extended to age 75.
- Deductibility of contributions by self-employed taxpayers will be treated the same way as contributions made by employers for the benefit of employees.
- The pension assets test will be reformed to reduce the assets test taper rate from \$3.00 to \$1.50 per fortnight from 20 September 2007. A pensioner's home would remain outside the assets test.

