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# PIS Timely Tips



## 2009 Budget Snapshot



The 2009 Budget was brought down on 12<sup>th</sup> May 2009. There has been some post Budget comment suggesting that it was not as tough as it should have been and that the current economic circumstances required more attention to the emerging level of the deficit. History will reveal whether the Budget had the correct balance of expenditure and savings. At the time of writing this article the underlying legislation has not been passed. Some changes may occur as a result of the legislative process.

Space prevents us from addressing every aspect of the Budget, however we have highlighted those aspects of the Budget that will apply to wide segments of the Australian community.

### TAXATION:

**Personal tax rates** – The tax cuts announced previously will still apply to the 2009 and 2010 financial years.

From 1<sup>st</sup> July 2009, the resident rates of tax payable will be:

Taxable Income	Tax Payable
\$0 - \$6,000	Nil
\$6,001 - \$35,000	15% of excess over \$6,000
\$35,001 - \$80,000	\$4,350 + 30% of excess over \$35,000
\$80,000 - \$180,000	\$17,850 + 38% of excess over \$80,000
Over \$180,000	\$55,850 + 45% of excess over \$180,000

**Low Income Tax Offset** – Will be increased to \$1,350. The upper threshold at which the LITO cuts out will increase to \$63,750, effective from 1<sup>st</sup> July 2009. The lower threshold at which the LITO starts to phase out will remain at \$30,000.

**Private Health Insurance Rebate** – The current 30% Private Health Insurance Rebate will be phased out for singles with an income that exceeds \$75,000 and for families on a family income of more than \$150,000. Where income exceeds these thresholds, the Rebate will be progressively phased out. No Rebate will be available to singles with an income exceeding \$120,000 and \$240,000 for families.

This change to the Private Health Insurance Rebate will apply from 1<sup>st</sup> July 2010. The opposition has indicated that it will not support changes to the Private Health Insurance Rebate.



**Medicare Surcharge** - High income earners, who choose not to have private health insurance, are subject to a Medicare Surcharge. From 1<sup>st</sup> July

2010, the Surcharge will range from 1% (for singles on an income of more than \$75,000 and families on an income of more than \$150,000) to a maximum of 1.5% in line with the tiers applying to the reduction in the Private Health Insurance Rebate.



**Small Business tax break** – The one-off bonus deduction available to qualifying small businesses will increase to 50% where a business acquires tangible depreciable assets between 13<sup>th</sup> December 2008 and 31<sup>st</sup> December 2009 and install them ready for use by 31<sup>st</sup> December 2010. The previously announced 30% and 10% deductions will continue to apply to other businesses.

**Non-commercial losses** – The rules applying to non-commercial business losses will be tightened to prevent high income earners from deducting losses from activities unlikely to make a profit. Taxpayers with adjusted taxable income of more than \$250,000 will have such excess losses quarantined to the business activity.

## Did you know?

Many commentators and politicians are comparing the current Global Financial Crisis with the Great Depression of the 1930s. At that time, John D Rockefeller said:

*"These are days when many are discouraged. In the 93 years of my life, depressions have come and gone. Prosperity has always returned and will again."*

Source | [www.wikipedia.com](http://www.wikipedia.com)

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- Corporate services

**Employee Share Plans** – Where shares or options are acquired at a discount, the discount will be assessed in the year in which the shares or options are acquired. Employees will no longer have the right to elect to defer the taxation liability until a later financial year. This change applies to all shares and options acquired under an employee share scheme after 7:30pm 12<sup>th</sup> May 2009. Shares and options already acquired under the current arrangements will not be affected.

**SUPERANNUATION:**

**Concessional superannuation contributions** – The caps applying to concessional (i.e. tax deductible) contributions will be halved, effective from 1<sup>st</sup> July 2009. The previously announced indexed caps for 2009/10 have been scrapped. The caps for 2009/10 are:

Age	2008/09 Cap	2009/10 Cap
Under 50	\$50,000	\$25,000
50 and over	\$100,000	\$50,000

**Non-concessional contribution caps** – This will remain unaltered at \$150,000 (up to \$450,000 under the three year bring forward provision) for the 2009/10 year. In future years, the non-concessional contribution cap will be six times the concessional contribution cap.

**Pension drawdown relief extended** – The halving of the minimum prescribed level of income to be drawn from account based pensions that applied for the 2008/09 year, will be continued for the 2009/10 year.

**Government Co-contribution** – The current level of superannuation

co-contribution of 150% of personal non-concessional contributions will be temporarily reduced. For financial years 2009/10 to 2011/12, the co-contribution rate will be 100%, up to a maximum co-contribution of \$1,000. For financial years 2012/13 and 2013/14, the co-contribution rate will be 125%. From 2014/15 the co-contribution rate will revert to 150%.

**Preservations Age** – A recommendation of the Henry Review includes a suggestion that the preservation age for superannuation should be gradually aligned to age pension age.

**PENSIONS and SOCIAL SECURITY:**

**Harmer Review** – The report of the Harmer Review into Australia's pension system has now been released.

**Increase in Age Pension Age** – The qualifying age for the age pension will progressively increase to 67. It will be phased in over a number of years commencing from 1<sup>st</sup> July 2017.

**Pension Increase** – The single rate of age pension will increase by \$30.00 a week from 20<sup>th</sup> September 2009 for pensioners on the full rate. The increase in the base rate of pension only applies to single pensioner.

**New Pension Supplement** – A number of existing allowances such as the telephone allowance, utilities allowance, GST supplement and pharmaceutical allowances will be replaced with a new fortnightly Pension Supplement. The Supplement will be \$2.49 per week for singles and \$10.14 per week for couples, commencing from 20<sup>th</sup> September 2009.

**Carers** – A \$600 per annum Carer Supplement will be payable to people

in receipt of a Carer Payment or Carer Allowance.

**Income Test Taper** – From 20<sup>th</sup> September 2009, the Income Test Taper will increase from 40 cents in the dollar (for singles) to 50 cents in the dollar. The taper for couples will be half the singles taper rate, each. Current recipients of a part pension will not be affected by this change.

**Pensioners with Children** – The higher income test that applies to pensioners with children will be abolished.

**Work Bonus for Age Pensioners** – From 20<sup>th</sup> September 2009, age and service pensioners who derive income from part-time employment will only have 50% of the first \$500 per fortnight assessed under the income test.

**Pension Bonus Scheme** – The PBS will be closed from 20<sup>th</sup> September 2009. Existing participants will continue to accrue entitlements under the existing rules.

**OTHER ISSUES:**

**First Home Owners Boost** – The current First Home Owners Boost payment of \$7,000 for existing homes and \$14,000 for new homes will be extended until 30<sup>th</sup> September 2009. From 1<sup>st</sup> October 2009 until 31<sup>st</sup> December 2009, the Boost will be halved to \$3,500 and \$7,000 respectively. The Boost payments are additional to the basic \$7,000 First Home Owners Grant.



Source | Peter Kelly | Professional Investment Services | May 2009

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