

## Federal Budget 2010 Tax Review

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## Individuals

### 50% savings discount for interest income

From 1 July 2011, the Government will provide individuals with a 50% tax discount on up to \$1,000 of interest earned by individuals. The discount will be apply for interest income earned directly from bank accounts, term deposits etc as well as indirectly, such as via a managed trust or investment scheme. For a person earning an average pre-tax interest rate of 6%, the Government states that the discount would apply up to a savings balance of just over \$16,500.

### Adjusted taxable income

The Government states that taxpayers claiming the discount for interest income will also have a reduced adjusted taxable income for the purpose determining eligibility for benefits such as Family Tax Benefit, the Baby Bonus, Child Care Benefit, Education Tax Refund, Commonwealth Seniors Health Card (CSHC) and the Pensioner Supplement (which is linked to eligibility for the CSHC).

### Standard deduction for work-related expenses

The Government will provide individual taxpayers with a standard deduction of \$500 for work-related expenses and the cost of managing tax affairs from 1 July 2012. The standard deduction will increase to \$1,000 from 1 July 2013. Those taxpayers with deductible expenses greater than the standard deduction amount will still be able to claim their higher expenses, in lieu of claiming the standard deduction amount.

According to the Government, this measure is an important step towards a “tick and flick” system of pre-filled tax returns that will make life easier for taxpayers at tax time.

### Personal tax rates - no change to already legislated rates for 2010-11

The Government did not make any changes to the currently legislated tax rates for 2010-11 (as previously announced). This means that for the year commencing 1 July 2010, the tax rates will be as follows:

#### Residents: rates and tax payable from 1 July 2010 (excluding 1% Medicare Levy)

Taxable income (\$)	Tax payable (\$)
0 - 6,000	Nil
6,001 - 37,000	Nil + 15% of excess over 6,000
37,001 - 80,000	4,650 + 30% of excess over 37,000
80,001 - 180,000	17,550 + 37% of excess over 80,000
180,001+	54,550 + 45% of excess over 180,000

### Low income tax offset

For the current 2009-10 income year, taxpayers are entitled to the low income tax offset of \$1,350 if their taxable income is less than \$63,750.

For 2010-11, this upper threshold will increase to \$67,500 to accommodate the previously legislated increase in the offset to \$1,500. The low income tax offset will continue to phase out at a rate of 4 cents in the dollar for every dollar of income over \$30,000.

As a consequence of the increases in the low income tax offset, the income level above which senior Australians (eligible for the senior Australians tax offset) begin to pay tax will increase. This will mean that eligible senior Australians will have no tax liability until their incomes reach:

- \$29,867 for singles and \$25,680 for each member of a couple in the 2009-10 income year; and
- \$30,685 for singles and \$26,680 for each member of a couple in the 2010-11 income year.

## **Medicare levy**

### **Senior Australians**

The Medicare levy threshold amount for individuals eligible for the senior Australians tax offset will increase to \$30,685 from 1 July 2010 (up from \$29,867 for 2009-10).

The Medicare levy threshold amount for certain couples eligible for the senior Australians tax offset, where the threshold for single senior Australians is not sufficient to ensure that they incur no Medicare levy liability until they incur an income tax liability, will increase to \$44,500 from 1 July 2010 (up from \$43,500 for 2009-10).

The Medicare levy phase-in limit for individuals eligible for the senior Australians tax offset will also increase to \$36,100 from 1 July 2010 (up from \$35,137 for 2009-10). The Medicare levy phase-in limit that applies to certain couples eligible for the senior Australians tax offset, will also increase to \$52,353 from 1 July 2010 (up from \$51,177 for 2009-10).

### **Medicare levy thresholds increased for 2009-10**

From the 2009-10 income year, the Medicare levy low-income thresholds will be increased for singles to \$18,488 (up from \$17,794 for 2008-09) and to \$31,196 for those who are members of a family (up from \$30,025 for 2009-10). The additional amount of threshold for each dependent child or student will also be increased to \$2,865 (from \$2,757).

The Medicare levy low-income threshold for pensioners below Age Pension age will also be increased from 1 July 2009 to \$27,697 (from \$25,299). This increase will ensure that pensioners below Age Pension age do not pay the Medicare levy while they do not have an income tax liability.

## **Medical expenses rebate threshold raised**

The medical expenses rebate threshold will increase from \$1,500 to \$2,000 from *1 July 2010*.

Taxpayers presently receive a rebate equal to 20% of net unreimbursed eligible medical expenses above \$1,500. This \$1,500 threshold will increase to \$2,000. In addition, from 1 July 2011, the threshold will be indexed annually to the Consumer Price Index.

## **GST Measures**

### **Reforms to the GST financial supply provisions**

The Government has announced that it will amend the financial supply provisions of the GST law to clarify the operation of the legislation and reduce compliance and administrative costs, particularly for small businesses. Of particular note is the treatment of Hire Purchase agreements which will be simplified by removing the need to apply different GST treatments to different parts of a supply. As such, the GST credit rules for hire purchase arrangements will be made the same for businesses who use either the cash and non-cash method of accounting for GST.

The Government has proposed that the amendments will commence from 1 July 2012

## **Superannuation**

### **Co-contribution matching rate permanently reduced to 100%**

The Government announced that it will look to permanently set the matching rate for the superannuation co-contribution at 100% and the maximum co-contribution that is payable on an individual's eligible personal non-concessional superannuation contributions at \$1,000.

As a result, the previously-legislated increase in the matching rate to 125% for 2012-13 and 2013-14 (and 150% for 2014-15 and later years) will not proceed.

## **Small Business**

### **Registration of business names**

The Government will establish a national system of registering business names.

Currently, businesses have had to register separately in each State and Territory and pay registration fees to each government. Under the proposed measures, businesses will need to register only once and pay only one fee. The administration of business names will be transferred from the States to ASIC.

The reforms should result in:

- a single, national online registration system for business names and ABNs;
- a business-friendly way of searching for trademarks;
- a Business Licensing Information Service to give businesses customised information about their regulatory requirements including licences, registrations and permits; and
- online accounts that will allow businesses to access registrations, monitor compliance requirements and access regulatory change notifications from all governments.