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HOW THE BUDGET AFFECTS YOU!

The following paper provides a summary of information announced in the 2011 Federal Budget which may be of interest to you. Please note that many of these announcements are yet to be legislated and care should be taken before implementing a financial strategy based on Budget announcements alone.

According to the Treasurer the budget is getting us "back in the black" in 2012/13 a reference which creates some disturbing images of school boy Angus Young's' on stage antics! But however you view the budget here are some of the ways it may affect you in the years to come.

Dependent Spouse Tax Offset

From 1 July 2011, the dependent spouse tax offset (DSTO) will no longer be available for tax payers with a dependent spouse aged less than 40 with no children. This change will not affect taxpayers whose spouse is a carer, an invalid, or permanently unable to work.

Low income Tax Offset

From the 1st July 2011, the Government will increase the amount

of the low income tax offset (LITO) that is claimable through the regular pay during the year from 50% to 70% of their entitlements. The remaining 30% will still be paid as a lump sum on assessment of income tax returns. Delivering \$300 in more timely relief to low and middle income earners.

Increasing the Medicare Levy thresholds

The government will increase the Medicare Levy low income thresholds to \$18,839 for individuals and \$31,789 for families, effective the 1st July 2010. The additional threshold for each dependent child or student will also increase to \$2,919 and the Government has increased the threshold for single pensioners below the Age Pension age to \$30,439.



MARKET WATCH

Australia retained its ranking as the world's second-largest producer of gold last year, with output rising 17% to the highest level since 2003 at 266 metric tons, figures released by a local mining industry consultancy showed. Gold produced from Australian mines in 2010 was worth some 12 billion Australian dollars (\$12.2 billion) at the current spot price," said Sandra Close, a director at Surbiton. "Gold remains one of Australia's top export earners."



The Budget Continued:

Social Security Family Tax Benefit Part A— more flexible advances

From 1 July 2011 families will be eligible to receive an advance payment of their entitlement allowing them to better meet unexpected expenses. Families will be eligible for an advance of 7.5% up to a maximum of \$1,000 of their annual Family Tax benefit Part A entitlement. Payment of advances will be subject to an assessment of a family's ability to repay the advance without falling into financial hardship. Advances can be taken at any point during the year.

Paid Paternity Leave—new start date

The implementation of paid paternity leave will be deferred by six months from 1st July 2012 till the 1st January 2013. The measure will provide working fathers and other partners with two weeks paternity leave at the equivalent to the national minimum wage.

Supporting families with teenagers

From 1st January 2012 the maximum FTB Part A for 16–17 year olds in secondary schools will be increased by \$4,208 and 18-19 year olds in school by \$3,741 per year. This ensures that assistance for families does not fall when children turn 16.



Reform the car fringe benefits rules

The Government will reform the current statutory formula method for determining the taxable value of car fringe benefits by replacing the current statutory rates with a single rate of 20% that applies regardless of the distance travelled. This reform will apply to new contracts entered into after the 10th May 2011 and will be phased in over four years.

Distance travelled during the FBT year (1 April – 31 March)	Statutory rate (multiplied by the cost of the car to determine a person's car fringe benefit)				
	Existing contracts	New contracts entered into after 7:30pm (AEST) on 10 May 2011			
		From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 – 15,000 km	0.26	0.20	0.20	0.20	0.20
15,000 – 25,000 km	0.20	0.20	0.20	0.20	0.20
25,000 – 40,000 km	0.11	0.14	0.17	0.20	0.20
More than 40,000 km	0.07	0.10	0.13	0.17	0.20

Accelerated Initial deduction for motor vehicles

As from the 1st July 2012 the government will allow an immediate tax write off the first \$5,000 of any motor vehicle purchased from 2012/13. The remainder of the motor vehicle will be pooled in the general small business pool which will be 15% for the first year and then 30%. This means that a small business operator buying a new vehicle for \$33,960 would receive an additional tax benefit of \$1,500 in the year that it was first purchased..

Small Business CGT Concessions

From the 10th May 2011 provisions are to be introduced to ensure that trusts will not be able to avoid being treated as connected entities for the purpose of testing eligibility for the concessions on the basis that trusts do not own assets for their own benefit. These changes will ensure that some small businesses will be able to access the small Capital Gains Concessions (CGT) because the changes make their assets "live".

SMARTER INVESTING: Experience vs. Discipline



Investment and speculation are said to be two different things, and the prudent man is advised to engage in one and avoid the other. This is something like explaining to a troubled teenager that love and passion are two different things. He She perceives that they are different but they don't seem quite different enough to clear up his/her problems. *Tim Hale*

"AFTER THE GOVERNMENT TAKES ENOUGH TO BALANCE THE BUDGET, THE TAXPAYER HAS THE JOB OF BUDGETING THE BALANCE."

UNKNOWN

Superannuation

Minimum payments for account based pensions

The Government will phase out the pension drawdown relief that has been provided over the last 3 years. Minimum payment amounts for account based, allocated and market linked (term allocated) pensions will be reduced by 25% for 2011/12 and will return to normal in 2012/13.

Refund of excess superannuation concessional contributions

From the 1st July 2011, individuals who breach the concessional contributions cap by up to \$10,000 can request that these excess contributions be refunded and assessed as income at their marginal rate of tax, rather than incurring excess contributions tax.

Measures to secure and protect superannuation

Various measures were introduced in the budget as from the 1 July 2012:

- Allow trustees greater use of tax file numbers to locate member accounts and facilitate multiple member accounts consolidation;
- Employees will receive information on their payslips about the amount of their superannuation actually paid into their account, and employees and employers will receive quarterly notification from their superannuation fund if regular payments cease.

Higher superannuation caps for over 50's

The Government will set the higher concessional superannuation contributions cap for eligible individuals aged 50 and over, with total superannuation balances of less than \$500,000, due to apply from the 1st July 2012, to \$25,000 above the concessional cap. This means those eligible Australians over 50 will be able to contribute \$25,000 more per year than other workers. The general concessional contribution is set at \$25,000. When it increases due to indexation, the higher cap will increase by the same dollar amount.

Stronger super—self managed super funds

The Government announced reforms to improve the operation, efficiency and integrity of this sector and increase community confidence. The reforms include:

- The introduction of knowledge and competency requirements on SMSF services providers, including the registration of SMSF auditors;
- Tightened legislative restrictions on SMSF investment in collectables and personal use assets;
- Requiring SMSFs to value their assets at net market value and the ATO to publish valuation guidelines;
- The appointment of the ATO to collect and publish data on the sector; and
- Changes to the registration and rollover processes, and early release penalties to deter the use of SMSFs for illegal activity. Most changes will take effect from the 1st July 2012. Tighter standards for investments will apply from 1st July 2011.

Superannuation co-contribution frozen

The Government will continue the freeze, for an additional year to 2012/13, of the indexation applied on the income threshold above which the maximum superannuation co-contribution begins to phase down.

Under the superannuation co-contribution scheme, the Government provides a matching contribution for contributions made into superannuation out of after tax income. The matching contribution is up to \$1,000 for people with incomes up to \$31,920 in 2010/11 (with the amount available phasing down for incomes up to \$61,920). This measure will continue to freeze these thresholds at \$31,920 and \$61,920 respectively.

Extension of the temporary loss relief for superannuation fund mergers

The Government has extended the end date of the temporary loss relief for complying superannuation fund mergers by three months, from 30 June 2011 until 30 September to provide additional time for mergers in progress to be completed.

Superannuation guarantee contributions

From the 1 July 2011 company directors will be personally liable for their company's failure to pay employee superannuation. This measure is in response to fraudulent phoenix activity where a company intentionally acquires wealth and then liquidates the company to avoid paying debt. The company subsequently continues as another corporate entity, controlled by the same person, free of previous debt.



"It's clearly a budget. It's got a lot of numbers in it."
— George W. Bush

