

2011 FEDERAL BUDGET SUMMARY 11 May 2011

The Government handed down its fourth Federal Budget 10 May 2011. The Treasurer announced an expected return to surplus within 3 years on the back of the introduction of the proposed Resources Super Profits Tax previously announced as part of the Henry Review.

Following is a one page summary of the key areas we believe are the most relevant to our clients. **Please note the Budget announcements are not legislation yet.** The information provided below is only a very brief summary that should not be acted on without first seeking further advice.

PERSONAL INCOME TAX RATES:

No changes have been made to the currently legislated personal marginal tax rates. The tax rates, (excluding medicare levy), from 1 July 2010 have been:

\$ Taxable Income	Rate %
0 - 6,000	0
6,001 - 37,000	15
37,001 - 80,000	30
80,001 - 180,000	37
180,000+	45

FLOOD LEVY:

As previously announced a temporary one year flood levy will apply from 1 July 2011 for individuals with a taxable income of \$50,000+. The levy will be as follows:

\$ Taxable Income	Levy %
50,000 - 100,000	0.5
100,000 +	1.0

LOW INCOME TAX OFFSET:

The low income tax offset will remain at \$1,500. However from 1 July 2011 the offset will not apply to unearned income, such as trust distributions, dividends, rent, or royalties received by minors, (ie children under 18 yo). This effectively reduces the maximum trust distribution to a minor, (assuming no other taxable income), from \$3,334 in the 2011 tax year to \$416 in future years.

TRUST INCOME STREAMING:

Further to recent Taxation Office announcements the Government will introduce legislation to confirm rules applicable to streaming of capital gains and franked income from discretionary trusts to beneficiaries.

IMMEDIATE \$5,000 CAR WRITE OFF:

From 1 July 2012 *Small Businesses** will be able to write off the first \$5,000 of any motor vehicle purchased.

IMMEDIATE \$5,000 ASSET WRITE OFF:

From 1 July 2012 *Small Businesses** will be able to immediately write off depreciable assets costing less than \$5,000, (currently \$1,000).

COMPANY TAX RATE:

As previously announced in last years Budget the Government confirmed it proposes to reduce the company tax rate on company business income as follows:

Year Ended	* Small Companies	Other Companies
30 June 2011	30%	30%
2012	30%	30%
2013	29%	30%
2014+	29%	29%

* *Small Businesses* are defined as a *Small Business Entity (SBE)* under s.328-110 of the ITAA 1997, one of the conditions of which is having an annual turnover below \$2M.

FRINGE BENEFITS TAX & MOTOR VEHICLES:

The Statutory formula method for valuing car fringe benefits will be reformed by replacing the existing statutory rates with a single 20% rate. This rate will apply irrespective of the distance that a car has travelled, thereby removing the unintended tax incentive for people to drive higher kilometres in order to access greater concessions.

It is proposed the reform will apply to motor vehicle purchase contracts entered into from 7.30pm Budget night and will be phased in over 3 years.

SUPERANNUATION PENSIONS:

The 50% reduction in the minimum payment standards that has applied for the last 3 years will be reduced to 25% for the year ending 30 June 2012. The Government indicated that the minimum pension rate will revert to the full standard rates from 1 July 2012.

SUPERANNUATION CONTRIBUTION CAPS:

The Government reconfirmed its proposal to allow a concessional contribution cap of \$50,000pa from 1 July 2012 for individuals who are 50yo+ and have a superannuation balance below \$500,000. For all other taxpayers the standard concessional contribution cap from 1 July 2012 will be limited to \$25,000.

NOT LAW YET:

As noted above these announcements are not legislation at this point in time. If you have any queries please contact us.