

Federal Budget 2010-2011

This year, the government has chosen a 'no-frills' package focusing on returning the budget to surplus as soon as possible, whilst funding tax cuts and \$7.3 billion in health measures. The current year forecast deficit is \$40.8 billion (2.9% of GDP). It is important to remember that most of the items covered here will only come into effect once legislation has been enacted. Some of the measures announced come into effect in future income years.

1. Taxation

Tax break on interest savings

From 1 July 2011, individuals will receive a 50% tax discount on up to \$1,000 of interest income earned, including interest earned on deposits held in authorised deposit taking institutions, bonds, debentures and annuity products.

The discount will be available for interest income earned directly as well as indirectly, such as via a managed fund.

Taxpayers claiming the discount for interest income will also have a reduced adjusted taxable income for the purposes of determining eligibility for Government payments and other concessions.

Standard tax deduction for work-related expenses & costs of managing tax affairs

From 1 July 2012, the Government will provide individual taxpayers with the option of a standard tax deduction of \$500 for work-related expenses and the cost of managing tax affairs.

From 1 July 2013, this standard deduction will increase to \$1,000.

Those taxpayers with deductible expenses greater than the standard deduction amount will still be able to claim their higher expenses instead of claiming the standard deduction amount.

Personal income tax rates from 1 July 2010

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

* plus Medicare Levy/Surcharge

Improvement to Low Income Earner Tax Offset (LITO)

The increase to the Low Earners Tax Offset to \$1,500 and the shade-out threshold of \$30,000 means that the amounts that various individuals can earn before they are liable to tax is outlined below:

Individual	\$16,000
Super Pension	\$48,158

Senior Australian Tax Offset (SATO)

The amount of income a senior Australian eligible for SATO can earn before they pay income tax or the Medicare levy will increase from \$29,867 to \$30,685 for singles, and from \$25,680 to \$26,680 for each member of a couple.

Increasing the Medicare Levy low-income thresholds

With retrospective effect from 1 July 2009, the Medicare levy low-income thresholds will increase from \$18,488 for individuals and \$31,196 for families.

The additional amount of threshold for each dependent child or student will also increase to \$2,865. Also effective from 1 July 2009, the Medicare levy threshold for single pensioners below Age Pension age will increase to \$27,697.

Increase in the net medical expenses tax offset claim threshold

Effective from 1 July 2010, the threshold above which a taxpayer may claim the net medical expenses tax offset (NMETO) will increase from \$1,500 to \$2,000. This threshold will also be indexed annually to CPI.

The NMETO currently allows taxpayers to receive a tax offset equal to 20% of net non-reimbursed eligible medical expenses above \$1,500.

2. Superannuation

Permanent reduction to the superannuation co-contribution

The Government will permanently retain 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.

Commissioners discretion for excess contribution assessments

The Commissioner of Taxation will be able to exercise discretion for the purposes of excess contributions tax before an assessment is issued.

3. Henry Tax Review

The budget also contained a number of measures which were released as part of the Government's response to the Henry Tax Review:

- A reduction in the corporate tax rate to 29% from 2013/14, and to 28% from 2014/15;
- The reduction in corporate tax rate for 'eligible small business companies' to 28% from 2012/13;
- Immediate write-off for assets of small businesses extended to assets value at less than \$5,000 from 1 July 2012;
- Increasing the superannuation guarantee (SG) by annual increments until it reaches 12% by 2019/20;
- Increasing the SGC maximum age threshold to 75 years of age from 1 July 2013;
- Provision of a new Government superannuation contribution which will pay up to \$500 for individuals with adjusted taxable incomes less than \$37,000, from 1 July 2012;
- Raising the concessional contributions cap to \$50,000 per year for individuals who are 50 and over and who have superannuation balances less than \$500,000 from 1 July 2012

For individuals aged 50 and over at any time during 2007/08 to 2011/12, the concessional cap will be \$50,000 pa for 2009/10, 2010/11, and 2011/12 financial years.

The non-concessional contributions cap remains at \$150,000. You may continue to bring forward the next two years non-concessional contributions cap (if you are under age 65) allowing you to make up to a \$450,000 non-concessional contribution.