



Welcome to the 2010/11 Budget edition of the Pulse.....

Welcome to our special Budget edition of the Pulse in which we will provide a summary of announcements made by the Federal Government in relation to the Henry Tax Review, and the 2010/11 Federal Budget.

Government response to the Henry Tax Review

On Sunday the 2nd of May the Federal Government announced its response to the Henry Tax Review, a comprehensive and independent review of the Australian Taxation System. The Henry review consisted of 138 recommendations, and for now, the Government has announced only a handful of changes, so we expect that there will be more discussion to occur over time.

Proposed changes to superannuation

- An increase in the superannuation guarantee rate from 9% to 12% by 2019/20.

Year	SG Rate
2013/14	9.25%
2014/15	9.50%
2015/16	10.00%
2016/17	10.50%
2017/18	11.00%
2018/19	11.50%
2019/20	12.00%

- A low income earners Government Contribution of up to \$500, effectively refunding the 15% contributions tax on superannuation guarantee contributions for those with an adjusted taxable income of less than \$37,000.
- A permanent extension of the current transitional concessional contributions cap of \$50,000 p.a. for those aged 50 and over if their superannuation balance is below \$500,000 (account balance limit applies from 1 July 2012).
- Raising the superannuation guarantee age limit from 70 to 75.

Proposed changes for business

- The current company tax rate of 30% will be lowered to 29% for 2013/14 and 28% from 2014/15.
- An accelerated adoption of the 28% company tax rate for small business companies from 1 July 2012.
- The lifting (from 1 July 2012) of the immediate write-off deduction for small businesses (annual turnover of less than \$2 million or net assets of less than \$6 million) from \$1,000 to \$5,000.

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Some of the major policies recommended in the Henry Review that the Federal Government has stated it will not implement are:

Superannuation related

- Remove tax free superannuation payments for the over 60s.
- Align preservation age with pension age.
- Offer a government annuity product.

Social security related

- Include the family home in means tests.
- Reduce indexation of the age pension.
- Think of hitting pensioner and low income concessions for utilities, transport and other essential services.

Taxation related

- Introduce land tax on the family home
- Make any changes to the tax system that harm the not-for-profit sector, including removing the benefit of tax concessions, raising the gift deductibility threshold or changing income tax arrangements for clubs
- Reduce the CGT discount, apply a discount to negative gearing deductions, or change grandfathering arrangements for CGT
- Remove the Medicare levy
- Remove the benefits of dividend imputation
- Increase the rate or broaden the base of the GST

2010-11 Federal Budget

On Tuesday 11th of May 2010, Treasurer Wayne Swan delivered the Government's Federal Budget for 2010-11. It was described as a "No Frills Budget" with the focus on returning the Budget to surplus within 3 years. Pleasingly, there were no significant changes to superannuation beyond what was earlier announced above.

50% savings discount for interest income from 1 July 2011

The Government plans to provide a 50% tax discount on up to \$1,000 of interest earned by individuals. The discount will be available for interest income earned directly as well as indirectly, such as via a trust or managed investment scheme, and is expected to benefit around 5.7 million taxpayers in 2011-12.

Standard tax deduction from 1 July 2012

The Government plans to introduce a standard deduction for work-related expenses and the cost of managing tax affairs. The standard deduction will be \$500 for the 2012/13 financial year, and then \$1,000 for the 2013/14 and subsequent financial years. Where a person's deductible expenses exceed the standard deduction amount, they will be able to claim the higher expenses instead of the standard deduction.

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Personal tax rate reductions already legislated from 1 July 2010

In accordance with the tax cuts announced in the 2008 budget, the personal income tax thresholds for the 2010- 2011 year will be as follows:

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

These personal tax rates differ from the tax rates for 2009-2010 in that the income threshold for the 30% tax rate has been increased from \$35,000 to \$37,000 and the 38% tax rate has been reduced to 37%. Additionally, the low income tax offset will increase to \$1,500 from its current \$1,350 with the upper income threshold being raised to \$67,500 from \$63,750.

Increased Medicare levy low income threshold from 1 July 2009

The Government will increase the Medicare levy low income threshold to \$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.

Net medical expenses tax offset from 1 July 2010

The Government plans to increase the threshold above which a taxpayer may claim the net medical expense tax offset (NMETO) from \$1,500 to \$2,000 indexed with CPI.

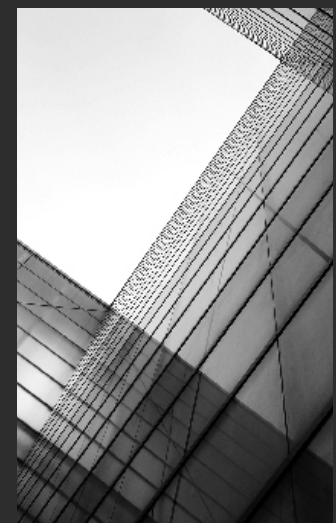
Superannuation Co-contribution

The matching rate of the Government Co-contribution at 100 per cent of the individual's non-concessional contribution to be permanently retained. The Government had previously stated it would revert to 150% as it was prior to 1/7/2009. In addition the current co-contribution income thresholds will be frozen for the next two financial years. The maximum co-contribution of \$1,000 is reduced by 3.333 cents for every dollar that a taxpayer's total income exceeds \$31,920 until it reaches or exceeds \$61,920.

Changes to First Home Owners Savers Accounts (FHSA)

The current rules require that FHSA holders keep their savings in an FHSA for 4 financial years before they are able to use those savings to buy a home. This has meant that if an account holder buys a home before the end of that 4-year period,

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the balance of their FHSA must be transferred to their superannuation. The Government now proposes that if a home is purchased within the 4 year period, the savings can be transferred into the mortgage account at the end of the 4 year period.

The changes will apply for houses purchased after assent of the legislation.

E-Health Medical Records

The Federal Government will commit \$467m towards establishing an individualised online medical records system. The patient will control what data is stored, and which Medical Professionals will have access to that information.

The Government hopes it will dramatically improve efficiency in the Health System, and increase safety for patients, especially surrounding duplication of medication prescriptions.

Finally.....

The above summary does not cover all of the Budget announcements, but we have attempted to list the matters which we feel may impact clients of Health Super Financial Planning. We invite you to contact one of our financial planners at Health Super Financial Planning on 1300 780 223, or info@hsfp.com.au to discuss these changes, or any other financial planning matter in greater detail.

Regards,

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