

HMA TWOMEY PATTERSON

CHARTERED ACCOUNTANTS

Business & taxation advisers · Registered company auditors

MAY 2009 - NEWSLETTER

2009 BUDGET UPDATE

50% Investment Allowance

The Government has increased the previously announced Investment Allowance to 50% for small business (i.e. a turnover of < \$2 million) for new depreciable assets purchased before 31 December 2009 and installed ready for use by 31 December 2010.

<u>Small Business (i.e. < \$2 million turnover)</u>	
<u>Installed By</u>	<u>Investment Commitment Time</u>
	13 December 2008 to 31 December 2009
30 June 2009	50% in 2008-2009
30 June 2010	50% in 2008-2009
31 December 2010	50% in 2008-2009

<u>Non - Small Business (i.e. > \$2 million turnover)</u>		
<u>Installed By</u>	<u>Investment Commitment Time</u>	
	13 December 2008 to 30 June 2009	1 July 2009 – 31 December 2009
30 June 2009	30% in 2008-2009	N/A
30 June 2010	30% in 2008-2009	10% in 2009-2010
31 December 2010	10% in 2008-2009	10% in 2010-2011

Superannuation Thresholds Reduced

From July 1 2009, the Concessional Contribution cap (CC) has been reduced to \$25,000 per annum for those under 50. Concessional Contributions include the 9% super guarantee, salary sacrifice contributions and personal deductible contributions.

The threshold CC for individuals aged 50 and over has been reduced to \$50,000 per annum for 2009/2010, 2010/2011 and 2011/2012.

The annual Non-Concessional Contributions cap (NCC) (i.e. previously called undeducted contributions) remains at \$150,000.

Maximum Government Co-Contribution Reduced

The co-contribution has been reduced from \$1,500 to \$1,000 with effect from 1 July 2009.

The new rates are as follows:

2009/2010	100%	\$1000
2010/2011	125%	\$1250
2011/2012	150%	\$1500

NB: From 1 July 2009, the income test for co-contribution will add back salary sacrifice.

Minimum Pension Reduction Extended

The 50% reduction in minimum annual payments for account-based and term allocated pensions will be extended to the 2009/2010 year.

Reduction in Personal Income Tax

Previously legislated tax cuts will go ahead for 2009/2010 and 2010/2011 financial years as follows:

<u>Current</u>		<u>From July 1 2009</u>		<u>From July 1 2010</u>	
<u>Taxable Income</u>	<u>Rate</u>	<u>Taxable Income</u>	<u>Rate</u>	<u>Taxable Income</u>	<u>Rate</u>
0 - \$6,000	0%	0 - \$6,000	0%	0 - \$6,000	0%
\$6,001 - \$34,000	15%	\$6,001 - \$35,000	15%	\$6,001 - \$37,000	15%
\$34,001 - \$80,000	30%	\$35,001 - \$80,000	30%	\$37,001 - \$80,000	30%
\$80,001 - \$180,000	40%	\$80,001 - \$180,000	38%	\$80,001 - \$180,000	37%
\$180,001 +	45%	\$180,001 +	45%	\$180,001 +	45%

Private Health Insurance Rebate

From 1 July 2010 the Private Health Insurance Rebate will be income tested. The Medicare Levy Surcharge for those without Private Health Insurance will also increase at certain income levels.

Singles	0 - \$75,000	\$75,001 - \$90,000	\$90,001 - \$120,000	\$120,000 +
Families	0 - \$150,000	\$150,001 - \$180,000	\$180,001 - \$240,000	\$240,000 +
Private Health Insurance Rebate				
<65 years	30%	20%	10%	0%
65 - 69 years	35%	25%	15%	0%
70 + years	40%	30%	20%	0%
Medicare Levy Surcharge	0	1%	1.25%	1.5%

The definition of income for Medical Expenses Rebate and Medicare Levy Surcharge includes:

- Taxable Income
- Reportable Fringe Benefits
- Reportable Employer Superannuation Contributions
- Personal Deductible Super Contributions
- Total Net Investment Losses

First Home Owners Boost Extension

The First Home Owners Boost will be extended for a further 6 months as follows:

	Established Homes	New Homes
01/07/2009 – 30/09/2009	\$7,000	\$14,000
01/10/2009 – 31/12/2009	\$3,500	\$7,000

Social Security

- From 20th September 2009, Centrelink Pension Rates will rise.
- Pension payments will decrease by 50c in the dollar for private income above the income free threshold (currently 40c).
- The Pension Bonus Scheme will be scrapped.
- The Pensioner Work Bonus Scheme will be introduced and allow 50% of the first \$500 part of employment income not to count for income test purposes.
- The Government will not be proceeding with its proposal to include tax free pension income in the income test for the Commonwealth Seniors Health Card.
- Seniors supplement of \$790.40 a year for singles and \$1,190.80 for couples combined for self-funded retirees who are eligible for the Commonwealth Seniors Health Card.
- Qualifying age for Age Pension will rise to 67 from 2023.
- Paid Parental Leave for up to 18 weeks for babies born after 01/01/2011.

Entrepreneur Tax Offset (ETO)

The application of the income test for the ETO will be deferred until the 2009/2010 year. The ETO currently provides a 25% tax offset against the income tax liability for small business with an annual turnover of less than \$75,000.

Tightened Access to Non-Commercial Business Losses

From 1 July 2009, taxpayers with an adjusted taxable income over \$250,000 will have non-commercial losses quarantined to the business activity (i.e. they won't be able to be offset the loss against salary or other income.)

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(* this is an Accounting service)

OUR TEAM UPDATE

Kate Buchanan from our Wagga office completed her Bachelor of Business degree on 12 December 2008. Kate attended her graduation ceremony in April 2009 and has just commenced additional study for the completion of her Professional Year. We congratulate Kate on this achievement.

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