

Federal Budget 2011 Tax Review

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Individuals

Personal tax rates - no change to already legislated rates for 2010-11

The Government did not make any changes to the currently legislated tax rates for 2010-11 (and onwards). This means that for the year commencing 1 July 2011, the tax rates will be as follows:

Residents: rates and tax payable from 1 July 2010 (excluding 1% Medicare Levy & Flood Levy)

Taxable income (\$)	Tax payable (\$)
0 - 6,000	Nil
6,001 - 37,000	Nil + 15% of excess over 6,000
37,001 - 80,000	4,650 + 30% of excess over 37,000
80,001 - 180,000	17,550 + 37% of excess over 80,000
180,001+	54,550 + 45% of excess over 180,000

Flood Levy

The flood levy will apply to individuals with a taxable income over \$50,000 for in the 2011/2012 year. Individuals with a taxable income of 50,001 to 100,000 will pay 0.5% and those with a taxable income over \$100,000 will pay 1%.

Removal of low income tax offset for minors (those under 18) receiving “unearned” income

From 1 July 2011, minors will not receive the low income tax offset/rebate on unearned income such as dividends, interest, rent, royalties and trust distributions.

Deductions against Government assistance payments to be prevented by legislation

In response to the High Court “Anstis” case, where a taxpayer successfully argued to claim study expenses against a student allowance, the government will amend the tax law to ensure that from 1 July 2011, deductions cannot be claimed against government allowances.

Dependent spouse rebate for spouses under 40 to be phased out

The government will phase out the dependent tax offset for spouses who are under 40, with the exception of dependent spouses who are a carer, invalid or permanently unable to work.

Medicare levy

Medicare levy thresholds increased for 2010-11

From the 2010-11 income year, the Medicare levy low-income thresholds will be increased for singles to \$18,839 (up from \$18,488 for 2009-10) and to \$31,789 for those who are members of a family (up from \$31,789 for 2009-10). The additional amount of threshold for each dependent child or student will also be increased to \$2,919 (from \$2,865).

The Medicare levy low-income threshold for pensioners below Age Pension age will also be increased from 1 July 2010 to \$30,439 (from \$27,697). This increase will ensure that pensioners below Age Pension age do not pay the Medicare levy while they do not have an income tax liability.

Family Tax Benefit

From 1 January 2012, the maximum Family Tax Benefit Part A for 16-19 year olds will be increased from the current \$52.64 to \$214.06 per fortnight.

HECS

The Government will reduce the following discounts applying to HECS from 1 July 2012:

- The discount applying to up-front payments will be reduced from 20% to 10%;
- The bonus on voluntary payments of HECS of \$500 or more will be reduced from 10% to 5%.

Superannuation

Excess contributions tax – refund option for breaches of up to \$10,000

From 1 July 2011, individuals who make a one-off breach of the contributions cap will be able to request up to \$10,000 of the breach to be refunded, rather than subject to being subject to the penalty tax. The refund, however, will be included in an individuals taxable income and taxed at their marginal tax rates.

Small Business

Small Business Vehicle Tax Write off to replace Entrepreneurs Tax Offset

The government will provide small business with an instant deduction of the first \$5,000 of any motor vehicle purchased from 1 July 2012. The remainder of the purchase value can be depreciated as per normal. As a result, the Entrepreneurs Tax Offset will be abolished from 1 July 2012.

Other Depreciation Changes

Also from 1 July 2012, small business may write off all assets valued at under \$5,000 (currently \$1,000)

Company Tax Rate Change

The tax rate for incorporated small business (i.e. operating through a company), will be reduced from 30% to 29% from 1 July 2012.

FBT and Cars

A flat rate of 20% will replace the existing four tier rates applicable under the statutory formula method of calculating the taxable value of Car Fringe Benefits. The new rates will be phased in over 4 years for existing cars, but new rates will apply immediately for cars purchased after 10 May 2011.