

Henry Report Review May 2010

Introduction

Last year, the Federal Government commissioned Dr Ken Henry to review Australia's taxation system to build a stronger, fairer and simpler tax system to meet the needs of Australia into the future.

On Sunday 2 May 2010, the government released this report, which has become known as the Henry Report, along with the recommendations it planned to implement. The actual report extends to 1,300 pages and contains 138 recommendations promising sweeping tax changes to reform Australia's taxation system.

However, most analysts believe the government has not committed to serious tax reform, deciding to implement only around 50 of the recommendations, at least initially. These mainly deal with the resource sector and superannuation.

The Main reforms are:

Resource Sector:

A Resource Super Profits Tax that will tax non-renewable resource projects (at a rate of 40%) on their profits from 1 July 2012. These companies will still be required to pay royalties to State and Territory Governments but will receive a credit for these royalties already paid.

Small Business

- A reduction in company tax rate to 28% (currently 30%) with small businesses to benefit from 2012-13, and other companies to receive the reduction over a couple of years: (29% for 2013-14 and 28% from 2014-15);
- Small businesses will be able to immediately write-off assets valued at under \$5,000 (currently \$1,000) and all other assets (except buildings) will be written off in a single depreciation pool at a rate of 30% - this will apply from 1 July 2012;

Superannuation

- Super contributions cap concession: workers aged 50 and over with super balances below \$500,000 will be able to make up to \$50,000 in annual, concessional superannuation contributions - to apply from 1 July 2012;
- The Superannuation Guarantee age limit will be increased from 70 to 75 from 1 July 2013;
- The Superannuation Guarantee rate will rise to 12% by 2019-20 (to be phased in); and
- The Government will provide a \$500 annual superannuation contribution to individuals with an adjusted taxable income up to \$37,000.

Outright Rejections of Henry Report Recommendations

Some Henry Report recommendations have been specifically rejected, including:

- removing the CGT exemption for pre-CGT assets;
- applying a discount to negative gearing deductions;
- reducing indexation of the age pension;
- including the family home in means tests;
- removing the Medicare levy;
- introducing a bequests tax;
- indexing fuel to CPI;
- removing the luxury car tax;
- and changing the taxation of alcohol.

More Information

For more information or clarification regarding these matters, please do not hesitate to contact our office:

Scott Turner & Associates

11 Evans Street

BURWOOD VIC 3125

Telephone: 0419 508 392

Email: scott.turner@nexicon.com.au