

Welcome to Centric Wealth's Webinar

Federal Budget & Henry Tax Review

Monday 17 May 2010

Overview

- Henry Tax Review and the Government's response preceded the Federal Budget and many of the proposals were included in both
- Announcements will not have a great impact on our clients' long term financial strategies
- There are some implications for our employer clients especially with the changes to SG
- We will continue to monitor.....

Henry tax review

- Review into Australia's future tax system
 - Make recommendations with the aim of creating a tax structure to position Australia to deal with the challenges of the 21st century
- Chaired by Dr Ken Henry
- 138 recommendations were made



Personal taxation



Abolish:

- Medicare levy
- Low income tax offset
- Senior Australians' offset
- Pensioner offset
- Beneficiary offset
- Mature age offset
- Employment termination payments

Rejected:

- Abolition of Medicare levy

Personal taxation



Recommended:

- 40% savings income discount for:
 - Net interest income
 - Net residential rental income
 - Capital gains; and
 - Interest expenses on shares
- Standard deduction

Rejected:

- Reducing CGT discount
- Applying a discount to negative gearing deductions

Capital gains tax



Recommended:

- Increase exemption on collectibles
- Exempt personal use assets
- Small business:
 - Remove active asset 50% reduction
 - Remove 15 year exemption
 - Increase retirement exemptions
- Abolish pre CGT assets

Rejected:

- Abolish pre CGT assets

Retirement



Abolish:

- Contributions tax
- Co-contributions
- Spouse contributions offset

Recommended:

- SG paid same time as wages
- No age limit for contributions
- Super funds tax of 7.5%

Rejected:

- Aligning preservation age with age pension age (recommended in retirement income paper released May 09)

Retirement



Recommended:

- Employer contributions:
 - Taxed at personal rates
 - Receive refundable offset
- Contributions offset:
 - Indexed cap of \$25,000
 - Limited to 15% tax
 - Cap doubled for over 50s
- Govt offering lifetime annuity product

Rejected:

- Govt to offer lifetime annuities

Company tax



Recommended:

- Reduce tax rate to 25%
- Small business turnover increase from \$2m to \$5m
- Retain dividend imputation in short to medium term, reconsider in long term

Rejected:

- Removing benefits of imputation

Social security



Recommended:

- Introduce single means test
 - Include super, personal use assets and family home up to limits
- Replace family tax benefit (FTB) with single benefit
- Abolish baby bonus

Rejected:

- Including family home in means test

Government response

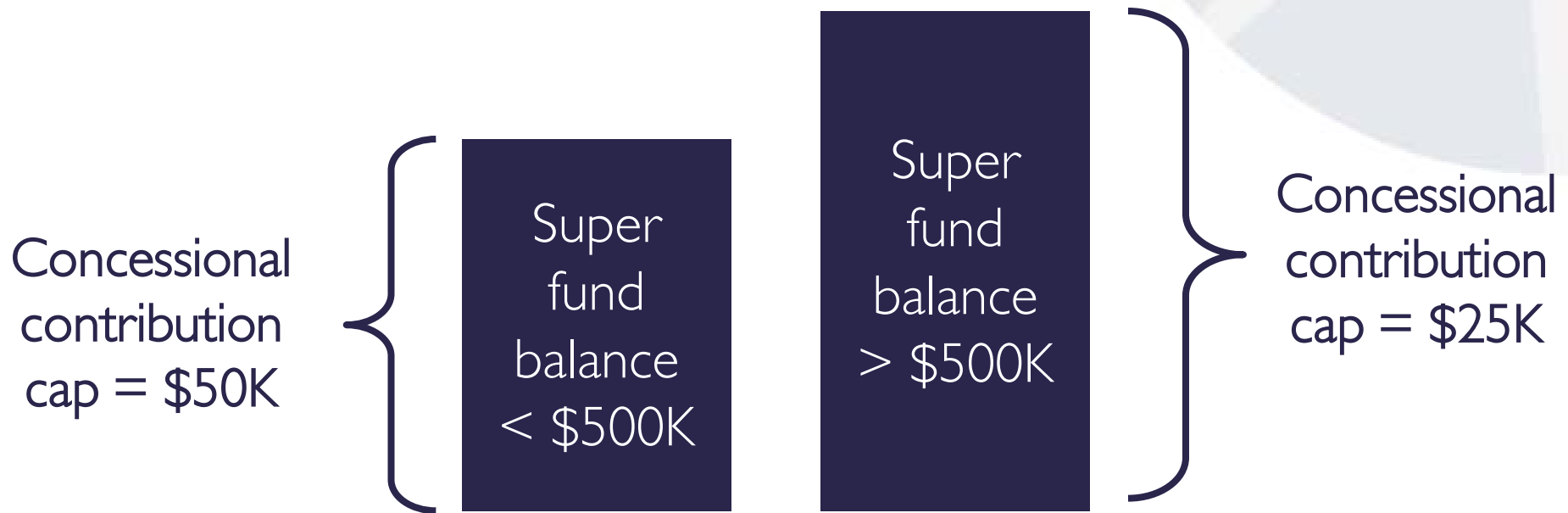
- \$500 contribution for low income earners



- $\$37,000 \times 9\% \text{ SG} \times 15\% \text{ conts tax} = \500
- Effective 1 July 2012

Government response

- \$50,000 cap on concessional contributions



- Effective 1 July 2012
- Applies to people over 50 years

Government response

- Increasing superannuation guarantee to 12%
- Extending SG coverage from 70 – 75 years

Year	SG rate
2013 – 14	9.25%
2014 – 15	9.5%
2015 – 16	10%
2016 – 17	10.5%
2017 – 18	11%
2018 – 19	11.5%
From 1 July 2019	12%

Government response

- Reduction in company tax rate
- Small businesses:
 - Bring forward of reduction
 - Changes to depreciation of assets

Year	Small business	Other
2012 – 13	28%	30%
2014 – 15	28%	29%
2015 – 16	28%	28%

Federal Budget

- On 11 May 2010, Treasurer Wayne Swan delivered his third Federal Budget
- Main focus is a move from supporting economy through economic slowdown to bringing Australia back into surplus



Personal taxation

- Personal income tax cuts retained
- Low income tax offset increased from \$1,350 to \$1,500
- Tax free threshold for senior Australians increasing to \$30,685 for singles and \$26,680 for couples
- Increase to Medicare levy threshold

Tax threshold	Tax rate
\$0 - \$6K	0%
\$6K - \$37K	15%
\$37K - \$80K	30%
\$80K - \$180K	37%
\$180K+	45%

Interest income discount

- 50% tax discount on up to \$1,000 of interest earned by individuals directly or indirectly
- Applies to deposits held in bank accounts, building societies, debentures and annuities
- Applies from 1 July 2011

Tax rate	Tax saving
0%	\$0
15%	\$75
30%	\$150
37%	\$185
45%	\$225

Standard deduction

- Standard deduction for work related expenses and cost of managing tax affairs
 - \$500 from 1 July 2012
 - \$1000 from 1 July 2013

Less time with the tax pack and more time with loved ones

Instructions for taxpayers

TaxPack 2009

To help you complete your tax return
1 July 2008 – 30 June 2009

Company tax


- Reduction in company tax rate
- Small businesses:
 - Bring forward of reduction
 - Changes to depreciation of assets

Year	Small business	Other
2012 – 13	28%	30%
2014 – 15	28%	29%
2015 – 16	28%	28%

Superannuation

- Contribution rebate for low income earners
- Increasing concessional contribution cap
- Extension of the superannuation guarantee from 70 to 75 years
- Increasing the superannuation guarantee from 9% to 12%
- Changes to the Government co-contribution

Government co-contribution

- Government matches personal contribution with a co-contribution to super
 - Currently maximum benefit uses a 100% matching rate up to \$1,000
 - Maximum applies for incomes up to \$31,920 and cuts out completely when income reaches \$61,920
-  Matching rate to be retained indefinitely and thresholds not indexed for next 2 years

What does this mean for you?

- Take advantage of changes to personal income tax – how are you going to make use of the extra \$
- We have been thinking of strategies that allow two members of a couple to continue using the \$50k concessional contribution cap
- Think about the merits of investing a portion of your portfolio outside super

Disclaimer

Although the information is derived from sources considered and believed to be reliable and accurate, Centric Wealth, its employees, consultants, advisers and officers to the maximum extent permitted by the law disclaim all liability and responsibility for any opinion expressed or for any error or omission that may have occurred in this presentation.

Any forecasts included are reasonably believed to be reliable based on current information but due to our inability to predict future events they cannot be guaranteed. The information provided to you is of a general nature only and is not to be construed as providing advice. It has been prepared without taking into account any person's particular investment objectives, financial circumstances or particular needs.

Before making any investment decision you should assess for yourself or obtain professional advice on whether the information in this document is appropriate to your investment objectives, financial circumstances and needs.



Thank you for attending!

If you have any questions, please
contact your Centric Wealth
adviser