# 2011 Federal Budget

The budget, handed down on 10 May, 2011 included some changes which will affect some salary and wage earners and small businesses. There were also some spending cuts and changes re welfare benefits.

There is a change which will affect those who operate through trusts (business or investment) and make a distribution to a minor. From the 2012 tax year and onwards minors will not be able to access the low income tax offset – this will reduce the amount they can receive (tax free) down to $416.

For small business there will be accelerated depreciation for newly acquired motor vehicles of $5,000 in the year of purchase – 2013 tax year. Also beginning in the 2013 tax year is immediate write off for assets costing less than $5,000 (announced in the 2010 budget).

Motor vehicles which have been salary sacrificed will not depend upon the kilometres travelled when determining the fringe benefits tax. This will be phased in commencing from the budget night. This may make sacrificing a vehicle more attractive for those who travel less than 15,000km per annum.

The 'flood levy' will make determining a person's marginal tax rate more complex for the 2012 tax year. See the table below.

Minimum pension draw downs from superannuation will be 75% of the prescribed minimum rate. Directly after the Global Financial Crisis this was 50% – now on the way back up to pre GFC levels.

Private Health Insurance Rebates are back on the agenda and will be put to the senate again – most likely to try to implement in the 2013 year.

The discount on voluntary HECS repayments will halve from 1 July, 2012.

These changes are subject to passing the Senate and receiving royal assent. It can be assumed most will pass but I am sure we will see some argy bargy over some of the more controversial measures.

For more information on the budget follow the link below:

https://www.charteredaccountants.com.au/~/media/Files/Industry%20topics/Tax/Current%20Issues/Federal%20budget/Weekly%20Tax%20Bulletin%20Special%20Budget%20Report%202011ICAA

Or

http://mailproduct.hilltop-mail.com/download/files/29121/1259246/PTBudget1112.pdf

The current resident tax thresholds and those applying for the 2011-12 financial year (for those subject to the flood levy) are:

**Tax threshold levels – flood levy comparison**

| Current, and from 1 July, 2011 for those NOT subject to the flood levy | | 2011-12 (for those subject to the flood levy) | |
|---|---|---|---|
| **Taxable income ($)** | **Rate (%)** | **Taxable income ($)** | **Rate (%)** |
| 0 - 6,000 | 0 | 0 - 6,000 | 0 |
| 6,001 - 37,000 | 15 | 6,001 - 37,000 | 15 |
| 37,001 - 80,000 | 30 | 37,001 - 50,000 | 30 |
| 80,001 - 180,000 | 37 | 50,001 - 80,000 | 30.5 |
| 180,001 + | 45 | 80,001 - 100,000 | 37.5 |
| | | 100,001 - 180,000 | 38 |
| | | 180,001 + | 46 |

**Note:** The rates above exclude Medicare levy.

## Flood levy

Generally, the flood levy will apply to individual taxpayers, both resident and non-resident, who have a taxable income over $50,000 in the 2011-12 financial year. By virtue of the levy, for the 2011-12 financial year, the effective top personal marginal tax rate will be 47.5%, including the flood levy and the Medicare levy.

Under the levy:

- individuals with a taxable income between $50,001 and $100,000 will pay a 0.5% levy on that part of taxable income above $50,000;
- individuals with a taxable income of $100,001 or more will pay a 0.5% levy on that part of their taxable income between $50,001 and $100,000 and a 1% levy on that part of their taxable income above $100,000; and
- no levy is payable where the taxpayer has a taxable income of $50,000 or less, or where they fall into an exemption category as specified in a legislative instrument that is made by the Minister.

**Exemption:** Individuals are exempt from the levy if they were affected by a natural disaster during 2010-11 and received an Australian Government Disaster Recovery Payment. Where a trustee has income that is taxed as if the income was of an individual, they will be liable for the levy as per the relevant thresholds.

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