

AXA Federal Budget update 2011

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redefining /
financial services

Agenda

- 1 Taxation**
- 2 Superannuation**
- 3 Social security**
- 4 Families**



1 Taxation

Low income earners

■ Increasing Medicare levy low income thresholds

- up from \$18,488 to \$18,839 for individuals
- up from \$31,196 to \$31,789 for couples
- additional amount of \$2,919 for each dependent child or student
- effective from 1 July 2010

■ Low income tax offset (LITO)

- increased availability via regular pay
- maximum LITO of \$1,500 remains unchanged
- effective from 1 July 2011

■ Low income tax offset – minors

- no longer able to access LITO to reduce tax on unearned income
- will discourage income splitting to children
- unearned income of minors who are orphans or disabled will not be affected
- effective from 1 July 2011

Changes to car fringe benefits

■ Fringe benefits tax

- percentages under the statutory formula to change for arrangements entered into from 7.30pm 10 May 2011
- single rate of 20 per cent to apply from 1 April 2014 regardless of distance travelled
- change will be phased in as per table
- existing car packaging arrangements will be unaffected
- operating cost method will remain unchanged

From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0.20	0.20	0.20	0.20
0.20	0.20	0.20	0.20
0.14	0.17	0.20	0.20
0.10	0.13	0.17	0.20

Changes to taxation of motor vehicles

■ Small business

- instant tax write-off of first \$5,000 of any motor vehicle
- applies to motor vehicles purchased from 2012/13
- replaces the entrepreneurs' tax offset

■ Existing tax reforms for small business

- immediate write-off of all assets valued under \$5,000 (up from \$1,000 currently)
- write-off of all other assets (except buildings) in a single depreciation pool at a rate of 30 per cent
- reduction in company tax rate to 29 per cent (down from 30 per cent currently)

Students

■ Higher Education Contributions Scheme (HECS)

- students who elect to pay up-front payments will receive a 10 per cent discount (reduced from 20 per cent)
- for individuals who elect to accrue an outstanding debt which is repaid gradually, making an additional voluntary payment of \$500 or more will attract a discount of five per cent
- effective from 1 January 2012

■ Disallowing deductions against government assistance payments

- High Court decision in Commissioner of Taxation v Anstis
- prevent deduction being claimed against all government assistance payments
- effective from 1 July 2011

Other tax changes

■ Phase out of dependent spouse tax offset

- offset phases out for individuals with a dependent spouse born on or after 1 July 1971
- does not affect individuals with a permanently disabled spouse
- effective from 1 July 2011

■ Limited recourse borrowing arrangements

- treat investor as underlying owner for CGT purposes
- provides confidence for trustees of super funds in relation to non-recourse borrowing opportunities
- backdated to 1 July 2007



2 Superannuation

Minimum pension payments

■ Reduction in minimum payment amounts for account-based pensions in 2011/12

- reduced minimum pension drawdown will be phased out
- minimum pensions reduced by 25 per cent for 2011/12
- return to normal in 2012/13

Age at start of pension (and 1 July each year)	percentage of account balance 2010/11	percentage of account balance 2011/12	percentage of account balance 2012/13
Under 65	2.00%	3.00%	4.00%
65 - 74	2.50%	3.75%	5.00%
75 – 79	3.00%	4.50%	6.00%
80 – 84	3.50%	5.25%	7.00%
85 – 89	4.50%	6.75%	9.00%
90 – 94	5.50%	8.25%	11.00%
95 +	7.00%	10.50%	14.00%

Contributions

■ Refund of excess concessional contributions

- eligible individuals given the option to have excess concessional contributions taken out of their superannuation funds
- excess amounts will be taxed at marginal tax rates, rather than incurring excess contributions tax
- measures apply to excess concessional contributions of up to \$10,000 in a particular financial year
- only available in respect to 2011/12 or later financial years
- applies to the first breach only

■ Extension of increased concessional contributions cap for those age 50 or over

- \$50,000 transitional concessional contributions cap extended permanently
- only for individuals aged 50 or over with total superannuation balances of less than \$500,000
- effective from 1 July 2012

Other superannuation changes

- **Co-contribution matching rate reduced to 100% or \$1,000 maximum**
 - however eligibility criteria remains the same
 - current thresholds frozen at \$31,920 and \$61,920 for an additional financial year

- **Superannuation information on payslips**
 - employees will receive information amount superannuation paid into their account on their payslips
 - effective from 1 July 2012



3 Social security

Social security

- **Disability Support Pension – work up to 30 hours**
 - recipients will be eligible to work up to 30 hours a week
 - remain eligible for part pension for up to two years

- **Changes to eligibility criteria for Youth Allowance (YA) and Newstart Allowance (NSA)**
 - eligibility and parental means testing for YA extended to 21 years of age
 - NSA closed to new applicants under 22 years old
 - YA income-free area increase from \$62 to \$143 per fortnight

- **Paid paternity leave**
 - defer implementation by six months
 - from 1 July 2012 to 1 January 2013
 - provide working fathers with two weeks paid leave



4 Families

Family Tax Benefit

- **Youth Allowance and Family Tax Benefit (FTB) will be changed to:**
 - match payment rates of FTB part A for dependant 16 to 19 year olds in full-time secondary study to the rates for 13 to 15 year olds
 - increase FTB by up to \$4,208 per year for 16 and 17 year olds and up to \$3,741 per year for 18 to 19 year olds
 - include all 16 to 19 year olds in full-time secondary study for the purposes of calculating the Youth Allowance parental income test

Family Tax Benefit

■ More flexible advances

- families will be eligible for an advance of up to 7.5 per cent, up to a maximum of \$1,000 of annual FTB Part A entitlement
- advances repaid over six month, reducing fortnightly FTB payments
- can be taken at any point throughout the year

■ Aligning FTB with Youth Allowance

- limited eligibility for FTB Part A to children up to age 21 years
- recognising people age 22 and over are considered independent
- parents no longer eligible for FTB when child turns 22 years of age

Family Tax Benefit

■ Family Tax Benefit – supplement

- no indexation for family benefit supplements for three years
- current 2010/11 levels will apply
- frozen until 1 July 2014

■ Upper limits and thresholds

- family payment higher income thresholds and limits will not be indexed
- these amounts will be frozen at the current level until 1 July 2014

Summary

■ Opportunities going forward

- for current and next financial year, those age 50 or over with higher balances can still take advantage of \$50,000 concessional contribution cap
- minors can still use the low income tax offset in the current financial year to offset against the tax on unearned income
- prepay HECS debt before 1 January 2012 to receive the higher discount

■ Need more information?

- call AXA Technical Services on 1800 644 644 or
- email axatechservices@axa.com.au

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