



Newsletter, May 2011

2011/2012 BUDGET UPDATE

Please find below a summary of the some of the more relevant budget announcements that affect tax. For a comprehensive report with more details, visit <http://www.cch.com.au/budget2011>.

2011/2012 individual tax rates

Taxable income range	Marginal Tax Rate
\$ 0 - \$ 6,000	0
\$ 6,001 - \$ 37,000	15%
\$ 37,001 - \$ 80,000	30%
\$ 80,001 - \$180,000	37%
\$180,001 +	45%

These rates exclude the Medicare and flood levies.

The flood levy will apply to individual taxpayers who have a taxable income over \$50,000 in the 2011/12 financial year. 0.5% is payable on taxable incomes between \$50,001 & \$100,000 and 1% on incomes above \$100,001.

Taxable Income	Flood Levy
\$ 0 - \$ 50,000	0
\$ 50,001 - \$100,000	0.5%
\$100,001 +	1.0%

In 2011/12, the effective top personal marginal tax rate will be 47.5% including the flood levy and the Medicare levy.

Child tax rates

From 1 July 2011, children under 18 will no longer be entitled to access the low income tax offset to reduce tax payable on their unearned income (such as interest and trust distributions).

Taxpayers need to be careful if they have children with shares or other investments that will result in a taxable income above the tax free amount. The marginal tax rate between \$417 and \$1,307 is 66% then 45% above \$1,308.

Year	Tax free income
2010/2011	\$3,333
2011/2012	\$416

Self-education deductions

There was a recent High Court decision (Anstis) allowing students who receive Youth Allowance to claim a tax deduction for self-education expenses. This has been overruled as the tax laws will be amended to prevent these deductions from 1 July 2011.

Superannuation concessional contribution limits

Concessional contributions include all employer contributions (superannuation guarantee and salary sacrifice) and personal contributions claimed as a tax deduction by a self-employed person. If you exceed these limits, excess contribution tax is levied at 31.5%.

From 1 July 2012, concessional contribution caps have increased to \$50,000 for individuals who are 50 years old or over, where their total super balances are below \$500,000.

Year	Under 50	Over 50 (fund balance >\$500,000)	Over 50 (fund balance <\$500,000)
2010/2011	\$25,000	\$50,000	\$50,000
2011/2012	\$25,000	\$25,000	\$50,000
2012/2013	\$25,000	\$25,000	\$50,000

Although the \$25,000 annual limit is indexed, it is only indexed in \$5,000 increments so it will take a number of years of indexation to increase the annual limit to \$30,000.

Superannuation minimum pension drawdowns

From 1 July 2011, a 25% reduction to the minimum amount of required pensions and annuity payments will be available as reductions are phased out. A 50% reduction has been available for the last three financial years.

Year	Reduction
2008/2009	50%
2009/2010	50%
2010/2011	50%
2011/2012	25%
2012/2013	Nil

Self managed superannuation fund levy increase

The SMSF annual levy which is included in the SMSF tax assessment each year will increase from \$150 to \$180, applicable to the 2010/2011 financial year.

Small business reforms

From 1 July 2012, proposed reforms include:

- an immediate write-off of the first \$5,000 on the purchase of any motor vehicle;
- an immediate write-off of all assets valued at under \$5,000 (up from \$1,000);
- a write-off of all other assets (except buildings) in a single depreciation pool at a rate of 30 per cent; and
- a reduction in the company tax rate to 29% for incorporated small businesses.



Important Dates

30 June is fast approaching so you should ensure that you don't miss out on any tax planning opportunities this year. Critically important is superannuation contributions. The superannuation contribution caps are based on the amount paid into the superannuation fund during the financial year (not the period the contribution relates to). If you want to maximise your superannuation contribution, you need to ensure that the amount has been received by your superannuation fund before 30 June. If you have a SMSF you should also ensure that the minimum pension payments have been made.

I will be away for May 23 to 31 (inclusive). I am heading to Cairns and will be checking my emails when I have the opportunity (phone and internet coverage may be limited).

Kind regards,
Nick