

# GOVERNMENT RELEASES 2010-11

## FEDERAL BUDGET

by Tim Olynyk

On 11 May 2010, and hot on the heels of the release of the Henry Review of Australia's taxation system (and the Governments response to some of the key recommendations), the Federal Government handed down its budget for the 2010-11 financial year.

All in all, most of the measures announced in the budget are concessionary in nature – this is to be expected in the lead up to the next Federal election!

A snapshot of the announcements outlined in the Budget is detailed below.

### Personal Tax

#### *Personal Tax Rates*

As previously announced, there will be further tax rate cuts in the 2011 financial year. A summary of the changes between the 2010 rates and the 2011 rates are detailed below:

2010 Financial Year Rates		2011 Financial Year Rates	
0 – 6,000	0%	0 – 6,000	0%
6,001 – 35,000	15%	6,001 – <b>37,000</b>	15%
35,001 – 80,000	30%	37,001 – 80,000	30%
80,001 – 180,000	38%	80,001 – 180,000	<b>37%</b>
180,001 and over	45%	180,001 and over	45%

\* Excludes Medicare

#### *Low Income Tax Offset*

In the 2011 financial year, the Low Income Tax Offset will be increased from \$1,350 to \$1,500.

#### *Standard work deductions*

From 1 July 2012, the Government will introduce a standard deduction for work related expenses and the cost of managing tax affairs. The deduction will be \$500. From 1 July 2012, the deduction will be increased to \$1,000. Individuals whose work related deductions exceed the amounts will need to substantiate their claims.

#### *Discount on savings income*

From 1 July 2011, the Government proposes to provide a 50% tax discount on up to \$1,000 of interest income earned by individuals directly (e.g. through bank deposits) or indirectly (e.g. through a trust distribution).

*Capital protected products*

The Government has announced changes that will potentially result in investors being able to claim a higher amount of interest expense deduction on capital protected products they hold. The measures will apply to capital protected products entered into after 13 May 2008.

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**Business Tax**

*Earn out arrangements*

The Government has announced that it will simplify the tax treatment arising from earn out arrangements. Previously draft taxation ruling TR 2007/D10 resulted in potentially detrimental outcomes to both the purchaser and the seller where an earn out payment was made from the purchaser to the seller. Basically, the Government has announced changes (effective from Royal Assent of the implanting legislation) that will result in all earn out payments made being in relation to the original asset sold. In effect, this should alleviate the previous adverse tax issues arising under TR 2007/D10 to both the purchaser and the seller.

*Film tax offset*

The Government has announced changes to the eligibility requirements for film tax offsets to try and make Australia a more attractive destination for film making and to allow more businesses to access the film tax offset.

*Non-commercial loan rules*

The Government has announced that effective from 1 July 2009, the non-commercial loan rules (Division 7A) will be amended so that a payment will not arise where a private company provides a dwelling to a shareholder / associate for use as their main dwelling where the private company acquired the dwelling prior to 1 July 2009.

**GST**

From 1 July 2012, the Government will increase the GST Financial Supply threshold from \$50,000 to \$150,000.

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**Superannuation**

*Superannuation co-contributions*

The Government has announced that the temporary reduction in the Government superannuation co-contribution rate announced in the 2009-10 Federal Budget will become permanent. Therefore, the maximum co-contribution amount going forward will be \$1,000 for taxpayers earning less than \$31,920.

*Excess superannuation contributions*

Going forward, the Australian Taxation Office will be provided with discretion to disregard or reallocate excess superannuation contributions made in a financial year prior to an assessment being issued to the taxpayer for excess contributions tax.

**If you would like to discuss any of the above issues or have any further questions relating to the 2010-11 Federal Budget, please do not hesitate to contact Tim Olynyk on (03) 9810 0700.**