



M G ARTHUR & ASSOCIATES

Accounting • Taxation • Business Services

# About Tax

A FRIENDLY TAX NEWSLETTER FROM MANU GUPTA

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## BUDGET 2009 COVERAGE -

*'something for everyone, something from everyone'*

### NEWSPPOINT

#### TAX RATES

In spite of falling tax collections, the government has kept to its promise to pass on the cuts in tax rates for 2009-10. Below are the current and proposed personal tax rates and thresholds for resident individuals (excluding the 1.5% Medicare Levy):

#### Residents: Personal Tax Rates and Thresholds

Current		From 1 July 2009		From 1 July 2010	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 34,000	15	6,001 - <del>35,000</del>	15	6,001 - <del>37,000</del>	15
34,001 - 80,000	30	35,001 - 80,000	30	37,001 - 80,000	30
80,001 - 180,000	40	80,001 - 180,000	<del>38</del>	80,001 - 180,000	<del>37</del>
Over 180,001	45	Over 180,001	45	Over 180,001	45
Low Income Tax Offset					
1,200		1,350		1,500	

The above tax rates in combination with Low Income Tax Offset imply that individuals earning up to \$14,000 in 08/09 (up to \$15,000 in 09/10) will pay no tax. Higher tax-free income range applies for senior Australians.

#### TIP!

*With reduced tax rates and increased concessions, re-evaluate the benefit of your salary package arrangements. Salary packaged car arrangements could be counter productive for taxpayers below the highest tax rate, especially if car expenses could be claimed as work related expenses.*

### FOREIGN EMPLOYMENT INCOME TO BE TAXED IN AUSTRALIA

Currently, Australian residents working in overseas tax paid employment for more than 90 days at a stretch do not pay any tax on such income in Australia. This is set to change from 1st July 2009. Section 23AG which provided the above exemption is set to limit the exemption to specific charity or government employment only. Hence, for the rest of us, income from overseas employment would be taxed as ordinary income in Australia with credit given for tax paid overseas.

#### TIP!

*The question thus arises, who is a resident of Australia for tax purposes? (this is different from citizenship or immigration status). If you or your family members are in this situation, it is important to review your tax planning before you are taxed in two countries!*

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Watch this space for our new office address. For updates to help you prepare for your tax time, visit the Resources section which is coming soon on our website. Visit

[www.manugupta.com.au](http://www.manugupta.com.au) or write to [manu@mgarthur.com.au](mailto:manu@mgarthur.com.au)

for more information or access to previous newsletters.

## A GIFT TO PARENTING

As a bold initiative, the Rudd Government has introduced Government Supported paid parental leave commencing 1st January 2011. The scheme will provide 18 weeks postnatal leave paid at the federal minimum wage (currently \$543.78) per week. To be eligible, a parent in paid work must meet all of the following:

- Worked continuously for at least 10 of 13 months before the expected date of birth or adoption;
- Worked at least 330 hours in those 10 months (equivalent to one full day work per week); and
- An Adjusted Taxable Income of \$150,000 or less in the financial year prior to the date of birth of adoption of the child.

This initiative will also be available to contractors, casual workers and self-employed. The downsides to this scheme are:

- The paid parental leave will be taxed as normal wage.
- Eligible parents will receive neither the Baby Bonus nor FTB Part B during the 18-week period.

## ONE OFF INVESTMENT ALLOWANCE BONANZA FOR SMALL BUSINESS

The previous 30% tax deduction for investing in capital assets has been increased to 50% for Small Business Entities and for all investments acquired up till 31st December 2009. Deductions for other entities remain unchanged.

### TIP!

For more details of this tax break please see *AboutTax April 09* at [www.manugupta.com.au](http://www.manugupta.com.au)

## FIRST HOME OWNER BOOST EXTENDED

The current First Home Owner Grant Boost of \$7,000 for purchase of established home and \$14,000 for purchase of new homes (over and above the normal \$7,000 grant) will continue until 30th September 2009. This will reduce to \$3,500 and \$7,000 respectively between 1st October and 31st December 2009 (again this is over and above the normal \$7000 grant) and finish thereafter.

## PENSION INCREASED, TESTS TOUGHENED

The budget has increased the weekly pension amounts for both single and couple claimants by \$32.49 and \$10.14 (at full eligibility) respectively. With this comes the increased Income Taper Test reducing benefit for

pensioners with other income. Further, the Pension Bonus Scheme, which has allowed pensioners to accrue their pension if they continued working beyond 65, is proposed to stop from 20th September 2009.

## 'SUPER-RICH' TO PAY MORE TAX

The maximum deductible (or salary sacrificeable) super contribution, known as concessional contribution, will be halved to \$25,000 per person (from \$50,000) from 1st July 2009. For those above 50, this limit will be halved to \$50,000 (from \$100,000), but only until 2011-12. Thus, the benefit of salary sacrificing into super and paying only 15% tax would be limited.

### TIP!

The current higher limits apply till 30th June 2009, so if you were planning to put some money into super next year, doing it before 30th June might be a better idea.

## THE PRIVATE HEALTH INSURANCE STORY

The stick - if you earn too much and don't have private health insurance, you pay Medicare Levy surcharge. The carrot - if you have a private health insurance, you get government rebate in premiums. This carrot and stick story is set to change soon. See the table below to assess your situation for current and future years;

Year Applicable	Surcharge / Rebate	Taxable Income Applicable \$	
		Individuals	Couples
Until 30th June 2008	1% / 30%*	Above 50,000	Above 100,000
July 2008 - June 2010	1% / 30%*	Above 75,000	Above 150,000
From 1st July 2010	0% / 30%*	0 - 75,000	0 - 150,000
	1% / 20%**	75,001 - 90,000	150,001 - 180,000
	1.25% / 10%***	90,001 - 120,000	180,001 - 240,000
	1.50% / 0%	Above 120,000	Above 240,000

\* 35% for >65yrs, 40% for >70yrs

\*\* 25% for >65yrs, 30% for >70yrs

\*\*\* 15% for >65yrs, 20% for >70yrs

### TIP!

From 1st July 2009, two new items will be added to 'Adjusted Taxable Income' and various other income definitions. These are 'Reportable Super Contributions' and 'Total Net Investment Losses'. As pre-warned in *AboutTax April 09*, this would reduce eligibility to a host of tax and Centrelink benefits including Family Tax Benefits, Tax Offsets, Superannuation Co-contribution & deductions, Medicare Levy Surcharge, HECS debt payments, to name a few. Reassess your tax plans, especially superannuation salary sacrifice arrangements to avoid heartburns later-on.

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