

2009/10 Federal Budget Report



There weren't too many surprises from this year's Budget, with most proposals having been leaked prior to Budget night. The most significant financial planning changes are the reduction in the superannuation concessional contributions cap and changes to Centrelink benefits.

Superannuation

Contribution caps

Not all contribution caps will increase from 1 July 2009 as previously expected. Instead, the Government intends to halve the current concessional cap and retain the non-concessional cap at \$150,000.

The Government's intention with this measure is to make the super system fairer by limiting superannuation concessions for those with greater private resources.

Contribution cap	Current cap 2008/09	2009/10
Concessional contribution (CC) cap		
• Under age 50 (until 30 June 2012)	\$50,000	\$25,000
• Over age 50	\$100,000	\$50,000
Non-concessional contribution (NCC) cap	\$150,000	\$150,000

The caps will continue to be indexed in \$5,000 increments in line with average weekly ordinary time earnings (AWOTE).

If you salary sacrifice or have a transition to retirement pension, it's important to speak with your adviser and review your arrangements for the start of the 2009/10 financial year.

Superannuation co-contribution

The co-contribution will reduce from 1 July 2009. This is a temporary measure, with the co-contribution gradually being increased back to current levels by 2014.

Year	Matching co-contribution rate	Maximum co-contribution	Reduction rate
2009/10, 2010/11, 2011/12	100%	\$1,000	3.333 cents
2012/13, 2013/14	125%	\$1,250	4.167 cents
2014/15 onwards	150%	\$1,500	5.000 cents

If you're eligible, the co-contribution is still an attractive strategy. It provides a 100% return on investment in the year the contribution is made, with earnings on the co-contribution taxed at a maximum of just 15% within superannuation. Up to 30 June 2009, the co-contribution rate remains at 150% – a good incentive to contribute to super this financial year.

Account based pensions

The current pension drawdown relief will be extended to the 2009/10 financial year. This means retirees drawing an income stream from an account based pension, allocated pension or term allocated pension, only need to draw half of the minimum annual income normally required in that financial year.

Your adviser can help you review your cashflow to see if you can benefit from this measure.

Centrelink

Increase in pension payments – 20 September 2009

Pension payments will be increased through a new pension package.

Single pensioners will receive an additional \$64.98 per fortnight as a result of an increase to their base pension and pension supplement, bringing their total fortnightly pension to \$673.36.

Couple pensioners (combined) will receive an additional \$20.28 per fortnight as a result of an increase in their pension supplement (couples will not receive any increase in base pension). Total fortnightly pension for couples combined will be \$1,015 per fortnight.

New pension supplement

The pension supplement will be consolidated with the following allowances, which clients will be able to elect to receive fortnightly with their basic pension or quarterly.

- Goods and services tax pension supplement
- Pharmaceutical allowance
- Utilities allowance
- Telephone allowance

These changes will apply to recipients of the age pension, service pension, disability support pension, carer payment bereavement allowance, widow B pension, wife pension, income support supplement and war widows/ers pension.

Commonwealth seniors health care card

The Government will not include gross tax-free superannuation pension income in the adjusted taxable income for Commonwealth seniors health care card income test.

However from 1 July 2009 salary sacrifice contributions will be included. This change will be consistent with changes that have been legislated in respect of a range of other pension allowance

income tests and arrangements that have existed for age pension for some time.

If you are still working and salary sacrificing, and in receipt of a Commonwealth seniors health care card, your adviser can help you review your continuing eligibility.

Seniors supplement

A new seniors supplement will be established for Commonwealth senior health care card holders and veterans eligible for the gold card.

This will consolidate the seniors concession allowance and telephone allowance.

Carers supplement

A new payment will be paid on 30 June 2009 with subsequent payments starting from 1 July 2010, comprising:

- \$600 per annum to all carer allowance recipients for each person being cared for, and
- \$600 per annum to all carer payment recipients.

People entitled to both carer payment and carer allowance will be eligible for both of the above payments.

Age pension changes

Income test changes

The Government will increase the income test taper from 40 cents to 50 cents in the dollar for a single pensioner and from 20 cents to 25 cents for a couple for income above the thresholds (currently \$138 per fortnight for a single person and \$240 for a couple).

If you receive the age pension and are assessed under the incomes test, your adviser can help you review the impact of these changes.

Income test concession for employment income (50% work bonus)

To increase the incentive to undertake paid employment an income test concession for employment income will be introduced for people of age pension age and for veterans of service pension age.

Employment income will be assessed fortnightly, with only half of the first \$500 of fortnightly income to be counted in assessing their pension entitlement.

Increase in the age pension age

The Government will increase the qualifying age for the age pension and the Commonwealth seniors health care card for men and women to 67 years of age from 2023.

The transition to the higher pension age will commence in July 2017, with qualifying age increasing by six months every two years to reach 67 on 1 July 2023

Date	New age pension age	Affects people born	When group reaches new age pension
1 July 2017	65 years and 6 months	1 July 1952 to 31 December 1953	1 January 2018 to 30 June 2019
1 July 2019	66 years	1 January 1954 to 30 June 1955	1 January 2020 to 30 June 2021
1 July 2021	66 years and 6 months	1 July 1955 to 31 December 1956	1 January 2022 to 30 June 2023
1 July 2023	67 years	From January 1957	From 1 January 2024

Closure of the pension bonus scheme

The government will close the pension bonus scheme to new entrants from 20 September 2009. Existing members of the scheme will continue to accrue entitlements under existing rules.

[If you are of age pension age, still working and have not received the age pension, you may be eligible to register before 20 September 2009.](#)

Family tax benefit (FTB) A and B, and the baby bonus

Eligibility thresholds for FTB A and B and the baby bonus will cease being indexed temporarily. Thresholds will remain at their current level until July 2012.

- Family tax benefit B primary earner income will remain at \$150,000.
- The higher income free area of family tax benefit A will remain at \$94,316 of family income plus \$3,796 for each child after the first.
- Baby bonus eligibility will remain at \$75,000 of family income in the first six months following the birth or adoption.

Paid parental leave

From January 2011 parents will be able to choose to receive the 18 week paid parental leave at \$544 per week.

Primary carers will be eligible for the scheme if they:

- Earned less than \$150,000 in the full financial year prior to the birth or adoption of a child,
- Have worked at least 330 hours over 10 months preceding the birth or adoption of a child, and
- Have also worked continuously with one or more employers for at least 10 of the 13 months before the expected date of the birth or adoption.

For those who choose to take the paid parental leave, they will not be eligible for the baby bonus or the FTB B.

First home owners boost (FHOB)

The current FHOB is to be extended to contracts entered into on or before 30 September 2009.

The FHOB is a temporary measure providing first home buyers with an additional \$7,000 if buying an established home or \$14,000 if buying a new home. Combined with the \$7,000 first home owners grant, a person buying their first home can receive a total of \$14,000 (established homes) or \$21,000 (new home).

From 1 October 2009, the FHOB will reduce to \$3,500 for established homes and \$7,000 for new homes.

The FHOB will cease from 31 December 2009. After this date, eligible individuals will only be able to receive the \$7,000 first home owners grant.

Contract entered into:	First home owners grant	First home owners boost	
		Established home	New home
Before 30 September 09	\$7,000	\$7,000	\$14,000
1 Oct 09 – 31 Dec 09	\$7,000	\$3,500	\$7,000
After 1 January 2010	\$7,000	Nil	Nil

Taxation

Private health insurance (PHI) rebate

The existing 30% private health insurance rebate is proposed to reduce depending on a person's level of income. Under the proposal, the rebate would not be available for a single person earning more than \$120,000 or families earning more than \$240,000.

Income		Proposed rebate to apply from 1 July 2010	Proposed Medicare levy surcharge
Single person	Family combined		
Less than \$75,000	Less than \$150,000	Before age 65: 30% Age 65 to 69: 35% Age 70 and over: 40%	Nil
\$75,001 – \$90,000	\$150,001 – \$180,000	Before age 65: 20% Age 65 to 69: 25% Age 70 and over: 30%	1%
\$90,001 – \$120,000	\$180,001 – \$240,000	Before age 65: 10% Age 65 to 69: 15% Age 70 and over: 20%	1.25%
Over \$120,000	Over \$240,000	No rebate	1.5%

Medicare levy surcharge

Effective 1 July 2010 the Medicare levy surcharge for complying private health insurance will increase from the current 1% up to 1.5%. The surcharge applies to singles earning more than \$75,000 or couples earning more than \$150,000 combined, and is tiered in line with the private health insurance rebate.

This measure is intended to encourage people to retain private health insurance after the rebate reduction.

Small business tax break for eligible assets

The small business and general business tax break has been increased to 50% (up from 30%) of the cost of eligible assets acquired between 13 December 2008 to 31 December 2009, and installed by 31 December 2010.

The tax break is available to small businesses with turnover of less than \$2 million, and applies to eligible assets, with a minimum of \$1000 per asset. Examples of eligible assets include computer hardware and business vehicles.

High income individuals and non-commercial business losses

Taxpayers with adjusted taxable incomes of \$250,000 or more face tighter rules in applying non-commercial losses i.e. deducting losses against salary and other income from activities considered unlikely to make a profit. The changes apply from 1 July 2009.

Professional taxation advice is needed for those with activities likely to be affected in the 2009/2010 tax year.

Income tax rates

Income tax rates legislated from the 2008 Federal Budget have not changed. From 1 July 2009, the following tax rates will apply.

Marginal tax rates	Tax payable
Taxable income:	
\$0 – \$6,000	Nil
\$6,001 – \$35,000	15% of each \$1 over \$6,000
\$35,001 – \$80,000	30% of each \$1 over \$35,000 + \$4,350
\$80,001 – \$180,000	38% of each \$1 over \$80,000 + \$17,850
\$180,001 and over	45% of each \$1 over \$180,000 + \$55,850
Low income earner tax offset (LITO)*	Offset
Taxable income:	
\$0 – \$30,000	\$1,350
\$30,001 – \$63,750	\$1,350 – [(taxable income – \$30,000) x 0.04]
\$63,751 and over	Nil

* As a result of the low income earner tax offset, Australian residents will not pay tax until their taxable income exceeds \$15,000 (for adults) or \$3,000 (for minors).

Examples of your weekly tax savings from 1 July 2009 include:

Taxable income	Weekly savings
\$20,000	\$2.89
\$50,000	\$5.77
\$65,000	\$2.88
\$100,000	\$10.58

Source: Budget 2009/10 papers

For more information about the Budget, or to arrange an appointment, please contact:

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