

MEADS *focus*

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NEWSLETTER BUDGET OVERVIEW

Personal Income Tax Cuts

Further cuts to personal income tax are proposed to take effect in two stages: from 1 July 2008 and from 1 July 2009.

From 1 July 2008:

- the 30% threshold will increase from \$30,001 to \$34,001, and
- the low income tax offset will increase from \$750 to \$1,200 and will begin to phase out from \$30,000. Taxpayers eligible for the full low income tax offset will not pay tax until their annual income exceeds \$14,000.

From 1 July 2009:

- the 30% threshold will increase from \$34,001 to \$35,001, and
- the 40% tax rate will be reduced to 38%.



Current tax thresholds Income range (\$)	Tax rate %	New tax thresholds from 1 July 2008 Income range (\$)	Tax rate %	New tax thresholds from 1 July 2009 Income range (\$)	Tax rate %
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 30,000	15	6,001 - 34,000	15	6,001 - 35,000	15
30,001 - 75,000	30	34,001 - 80,000	30	35,001 - 80,000	30
75,001 - 150,000	40	80,001 - 180,000	40	80,001 - 180,000	38
150,001 +	45	180,001 +	45	180,001 +	45

Senior Australians

The effect of the tax cuts is that, from 1 July 2008, a senior Australian eligible for the senior Australians tax offset will be able to earn more income without paying tax. Singles will be able to have taxable income up to \$28,867 (up from \$25,867) and couples up to \$49,360 (up from \$43,360).



The Medicare levy low income threshold will also increase to ensure that Medicare levy is not payable by senior Australians until income tax is payable.



Education tax refund

From 1 July 2008, the government will introduce a 50% Education Tax Refund on eligible educational expenses such as education related computers, internet connections, printers, software and textbooks. School fees, uniforms and excursions are not deductible.

This education refund is only available to families receiving Family Tax Benefit (Part A) with children undertaking primary or secondary studies or whose school children receive Youth Allowance or another relevant payment.

Eligible families can claim up to \$750 for each child undertaking primary school studies (that is, a refund of up to \$375 per child, per year) and \$1,500 for each child undertaking secondary school studies (that is, a refund of up to \$750 per child, per year). These amounts will be indexed annually from 1 July 2009.



The Education Tax Refund will apply to expenses incurred from 1 July 2008 and will be claimed upon assessment of a 2008-09 income tax return.

Bonus payments for carers

A one-off tax free lump sum payment to eligible carers will be paid as follows:

- A payment of \$1,000 will be made to carers who receive Carer Payment and Department of Veterans' Affairs (DVA) Carer Service Pensions.
- Recipients of Carer Allowance will receive a payment of \$600 for each eligible person in their care.

These payments will be made to the majority of eligible carers by 30 June 2008.



Child care rebate

From 1 July 2008, the child care rebate for out-of-pocket child care expenses will increase from 30% to 50%. The maximum out-of-pocket expenses claimable will increase from \$4,354 to \$7,500 (indexed) per child per year.

From 1 July 2008, the child care tax rebate will be paid quarterly, instead of annually, with families receiving the first quarterly payments from October 2008.

FBT Exemption for certain work related items

The current FBT exemption for work related items such as laptop computers, personal digital assistants and tools of trade will only apply where the item is primarily used for work purposes. In addition, the FBT exemption will generally be limited to one item of each type per employee per year. The measure will apply to items purchased after 7.30pm on 13 May 2008.

Political donations

From 1 July 2008, gifts and contributions made by individuals or businesses to political parties, members and candidates will no longer be tax deductible.

Family Tax Benefit Part B

Eligibility for the Family Tax Benefit Part B will be means tested from 1 July 2008; payable only when the main income earner's adjusted taxable income is below \$150,000.

Baby Bonus

The baby bonus will increase to \$5,000 from 1 July 2008. The amount of the baby bonus will be indexed annually on 1 July each year. From 1 January 2009, a family means test of \$150,000 will be introduced, meaning that high income earning families will no longer be eligible for the bonus. The means test will be based on the family's income in the six months following the birth of their child on a pro rata annual basis equivalent to \$75,000 over the six-month period.



For all eligible births after 1 January 2009, the baby bonus will be paid in 13 fortnightly instalments of approximately \$385.

The baby bonus will be extended to families with newly adopted children aged from two years to 16 years, from 1 January 2009.

Increase to Medicare levy surcharge & low-income thresholds



The government will increase the Medicare levy surcharge threshold for singles from \$50,000 to \$100,000 and for those who are members of a family from \$100,000 to \$150,000, with effect from 1 July 2008.

From the 2007/08 income year, the government will also increase the Medicare levy low-income thresholds to \$17,309 from \$16,740 for single people, and to \$29,207 from \$28,247 for those who are members of a family. The additional amount of threshold for each dependant child or student will also be increased to \$2,682 from \$2,594.

The Medicare levy low-income threshold for pensioners below Age Pension age will also increase to \$22,922 from \$21,637, with effect from 1 July 2007.

Luxury car tax

From 1 July 2008, the luxury car tax will increase from 25 per cent to 33 per cent. The current luxury car tax threshold of \$57,123 will remain the same.

Capital gains tax - extension to small business tax concessions

The concessions will be broadened to cover taxpayers with a CGT asset used in a business by a related entity and to cover partners owing a CGT asset used in the partnership business, effective 1 July 2007. Currently, for partnerships, the small business entity test requires the taxpayer making a capital gain to be a partner in the partnership and for the asset to be an asset of the partnership.



1st Floor 28 Riddell Parade Elsternwick
Web: meadpartners.com.au Ph: 03 9523 2277