

## 2011/12 Federal Budget Highlights

The Federal Budget for the 2011/12 year was handed by the Treasurer on 10 May 2011. Detailed below are the main taxation and superannuation highlights, noting that the announcements are subject to approval by Federal Parliament.

**Minors & Low Income Tax Offset** - the Government will remove the ability of minors to access the low income tax offset on their unearned income, such as Trust distributions, dividends, interest, rent, royalties and other income from property, with effect from 1 July 2011.

**Small Business Measures** (i.e. Business with turnover of less than \$2m) The Government will provide immediate tax write off for the first \$5,000 of any motor vehicle purchase after 1 July 2012. The remainder of the purchase value can be transferred into the general small business depreciation pool, which is depreciated at 15% in the first year and 30% in later years.

**FBT & Motor Vehicles** - over the next four years the Government will progressively replace the current statutory formula method of calculating the taxable value of a car fringe benefit with a single statutory rate of 20%, to be applied regardless of the number of kilometres travelled in a year. The log book method will still be available as an alternative.

**Superannuation** - the Government will set higher concessional contribution caps for those aged 50 years and over from 1 July 2012. The Government will set the proposed higher concessional contributions cap at \$25,000 above the general concessional cap (currently \$25,000) for eligible individuals aged 50 and over with total superannuation balances of less than \$500,000.

**Superannuation** - the Government will reduce penalties for excess contributions. This will provide eligible individuals who breach the concessional contributions cap by up to \$10,000 with a one-off option to request that these excess contributions be refunded to them. This will only apply to first time breaches from 1 July 2011.

**Superannuation** - the Government will begin to phase out the 50% pension drawdown relief that has been provided in recent years. The minimum annual pension drawdowns will reduce by 25% for 2011/12 and will return to normal for 2012/13.

**Personal Income Tax Rates & Flood Levy** - the Government did not make any changes to the currently legislated tax rates which apply for the 2010-11 and following years. Not forgetting that, from 1 July 2011 for one year, those rates will include the flood levy, where applicable. The Flood Levy will apply to individuals with taxable income over \$50,000 in the 2011/12 year as follows -

- If taxable income between \$50,001 and \$100,000 will pay 0.5% levy on that part over \$50,000,
- If taxable income over \$100,000 will pay 0.5% levy for that part of income between \$50,000 and \$100,000, and then a 1% levy on that part of their taxable income above \$100,000,
- No levy payable is payable where taxable income of
- \$50,000 or less, or where they fall into an exemption category as specified by the Government.

**Other measures** include the Dependent Spouse Rebate to be phased out in certain circumstances from 1 July 2011, Medicare Levy thresholds to increase from 1 July 2010 and a reduction in HECS discounts available to students electing to pay up-front or voluntarily.

**For further details** on information on the budget and how it may affect your personal circumstances, please contact our office.

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