

**Volume: 07 Issue: 2****FEDERAL BUDGET**

The Treasurer, Mr Costello, last night presented the Federal Budget for 2007-2008. The changes are relatively minor compared to the significant changes in superannuation, capital gains tax and income tax rates in recent years. This newsletter includes some of the highlights.

PERSONAL INCOME TAX RATES

The personal income tax rate rules will be adjusted on 1 July 2007 and 1 July 2008:

Marginal Rate %	Current \$	1/7/2007 \$	1/7/2008 \$
0	0 – 6,000	0 – 6,000	0 – 6,000
15	6,001 – 25,000	6,001 – 30,000	6,001 – 30,000
30	25,001 – 75,000	30,001 – 75,000	30,001 – 80,000
40	75,001 – 150,000	75,001 – 150,000	80,001 – 180,000
45	> 150,000	> 150,000	> 180,000

These changes provide a tax reduction of \$750 p.a from 1 July 2007 for all taxpayers with taxable income in excess of \$30,000 p.a, and further reductions from 1 July 2008 for taxpayers with taxable income in excess of \$75,000.

Changes to the Low Income Tax Offset from 1 July 2007 will result in tax reductions of at least \$150 p.a for taxpayers with taxable income less than \$25,000, and larger reductions for those with incomes between \$25,000 and \$45,000.

CHILD CARE REBATE

Government assistance for Child Care Centres is in two forms. Child Care Benefit is commonly paid direct to approved or registered child care operators, but may be paid to parents. The amount depends of the family income, but all families paying child care receive some benefit. This benefit will be increased.

The other benefit, Child Care Tax Rebate, is available to parents with children in approved child care centres only, and is a rebate of 30% of child care costs in excess of the first benefit. The rebate is restricted to a maximum of \$4,000 per child per year. Currently it is claimed through the income tax system and one in arrears. Tax returns for the 2007 year will include rebate claims for expenditure in the 2005-6 year. The rebate for the 2006-7 year will be able to be claimed from Centrelink after 1 July 2007, rather than through the 2008 tax return. The effect is that parents will be able to claim rebates for both the 2005-6 and 2006-7 years shortly after 1 July 2007.

SENIOR AUSTRALIANS

Senior Australians eligible for age or veterans pensions or holding a Commonwealth Seniors Health Card will receive a \$500 non taxable bonus before 30 June 2007.

SMALL BUSINESS CHANGES

Currently, small businesses with annual turnover less than \$50,000 and non-profit organisations with annual turnover less than \$100,000 are not required to register from GST, but may elect to do so. Not registering means that no GST is payable on income, but no GST credits can be claimed on expenses. From 1 July 2007, the thresholds will increase to \$75,000 and \$150,000 respectively.

Also from July 1 2007, GST credits can be claimed for expenses up to \$75 (excluding GST) without a tax invoice. The limit is currently \$50 per invoice.

There are other concessions to small business, generally relating to timing of tax payments or simplified accounting. From 1 July 2007, eligibility for these concessions will be standardised to a turnover of \$2 million p.a (excluding GST). Clients who may benefit from these concessions will be advised of the implications for them individually.

VOLUNTEER SMALL EQUIPMENT GRANTS

The government operates a grant scheme for community organisations for equipment used by volunteers. The grants are a maximum of \$3,000 per organisation and it is expected that 4,500 organisations will benefit in 2007-8. Also from 1 July 2007, similar grants will be available to volunteer clubs clients for equipment, uniforms, training volunteer coaches and travel to sporting events.

Clients involved in volunteer and not for profit organisations can obtain details of these and other grants at www.community.gov.au.