

Edwards Marshall Budget Report 2008

The significant changes to taxes and benefits in the 2008-9 budget are directed mainly towards individuals and families rather than businesses.

Personal Income Tax Rates

Presently income from \$6,000 to \$30,000 is taxed at 15%, and income from \$30,001 to \$75,000 at 30%. From 1 July 2008, the threshold of \$30,000 changes to \$34,000 and the \$75,000 changes to \$80,000. From 1 July 2009, the \$34,000 will change to \$35,000 and from 1 July 2010 to \$37,000. From 1 July 2009, the marginal rate from \$80,000 to \$180,000 reduces from 40% to 38% and from 1 July 2010 to 37%.

There are also changes to low income tax offsets to reduce the tax for those with lower levels of income.

Means Tests and Eligibility Criteria

Changes will be made from 1 July 2009 to include amounts contributed to superannuation by salary sacrifice, and to include net financial investment losses, in determining income for government benefits, superannuation co-contributions and child support payments.

From 1 January 2009 for the Baby Bonus benefit, and from 1 July 2008 for the Family Tax Benefit Type B, eligibility will be restricted to families with adjusted income less than \$150,000 p.a. For the Baby Bonus, the test is based only on family income for the six months after the birth, and payments will be made fortnightly rather than as a lump sum.

Education Expenses

For families eligible for Family Tax Benefit Part A, certain education costs such as home computers, internet connection and school books and stationery will be refunded at the rate of 50% of costs. Claims will apply for expenditure after 1 July 2008 and will be claimed in personal tax returns. Claims will be limited to \$375 p.a. for primary students and \$750 p.a. for secondary students.

Costs such as school fees and travel to school will not be eligible.

Angas House 4-8 Angas Street
Kent Town SA 5067
GPO Box 2163, Adelaide SA 5001
t: 61 8 8139 1111
w: www.edwardsmarshall.com.au
e: info@edwardsmarshall.com.au



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Home Savings Account

From 1 October 2008, financial institutions will be able to offer special savings accounts for first home buyers. The accounts will be available for individuals aged 18 and over who have not previously purchased or built a home.

The government will contribute 17% of amounts paid in by depositors, to a maximum government contribution of \$850 p.a. (a deposit of at least \$5,000 p.a.). Interest on the deposit will be taxed at 15%. No further contributions can be made if an account balance reaches \$75,000.

Withdrawals will not be possible unless deposits have been at least \$1,000 in each of 4 years, and withdrawals must be for purchase or construction of a residence (except that the account may also be transferred to a superannuation fund).

The government contribution and the low tax on earnings will be attractive to clients considering assisting their children with saving for a home.

Luxury Cars

The rate of tax on cars with a value greater than \$57,123 will be increased from 25% to 33% from 1 July 2008. The tax only applies to the excess price over the threshold and is estimated to increase the price of a \$100,000 vehicle by about \$2,500.

Fringe Benefits Tax

Several minor amendments are proposed with immediate effect. Exemptions for laptop computers etc will only apply if the laptop is used primarily for work related purposes.

Seniors and Pensioner Lump Sum Payments

Persons in receipt of age pension, seniors concession allowances and similar at 13 May 2008 will receive a \$500 lump sum before 30 June 2008.

Seniors concession allowances are available to those entitled to Commonwealth Seniors Health Cards (income less than \$50,000 for an individual or \$80,000 per couple), and will be increased from \$218 p.a. to \$500 p.a. paid quarterly, plus telephone allowances of \$88 p.a. (\$132 p.a. if internet is connected).

Child Care Rebates

From 1 July 2008, child care rebates in respect of expenditure incurred by families will be increased from 30% to 50% of expenditure to a maximum rebate of \$7,500 per child per annum. The rebates will in future be paid quarterly.

Taxation Review

The government has announced a panel to review all taxes, both Federal and State, to produce a discussion paper by July 2008 and to report with recommendations by the end of 2009. The panel will not consider GST and tax free superannuation payments for persons over 60, both of which the government will retain. The panel will seek input from all sectors of the community.

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