

# Edwards Marshall

## Budget Report 2009 - 2010

The Treasurer, Mr Swan, presented the 2009 - 2010 Budget last night. This newsletter highlights some of the important issues for clients. Clients are encouraged to contact us for further information or to discuss the impacts of changes for them personally.

### **Major Infrastructure Projects in South Australia**

Significant expenditure was announced for four major projects in South Australia:

- Upgrading the Gawler rail line
- Extending the Noarlunga rail line to Seaford
- Doubling the capacity of the proposed desalination plant
- Extending the O-Bahn track into the city to West Terrace.

### **Increased Tax Deductions for Capital Expenditure**

In our April 2009 newsletter, we highlighted the Small Business and General Business Tax Break for capital expenditure. A copy is available at [www.edwardsmarshall.com.au/news.html](http://www.edwardsmarshall.com.au/news.html).

The tax break for small business (less than \$2m turnover) has now been increased from 30% to 50% of the cost of eligible expenditure and the last date for small business to acquire equipment to access the higher deduction has been extended from 30 June 2009 to 31 December 2009.

The rules are unchanged for larger businesses.

### **First Home Owners Grant**

The reduction in the First Home Owners Grant previously proposed for 30 June 2009 has been deferred. The grants for new homes will continue to be \$21,000 until 30 September 2009, reducing to \$14,000 until 31 December 2009 and then \$7,000. For existing homes, the grant is \$14,000 until 30 September 2009, then \$10,500 until 31 December 2009, then \$7,000.

### **Superannuation Contribution Deductions**

The maximum annual deductible superannuation contribution per person has been halved from 1 July 2009. The new maximum will be \$25,000 per annum, or \$50,000 per annum until 2012 for taxpayers over 50.

### **Age Pension**

The Government announced increases in age pension base amounts, but also increased the rate at which a pension is reduced as a result of other income. Full details are available at [www.edwardsmarshall.com.au/news.html](http://www.edwardsmarshall.com.au/news.html) or by contacting our office.

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### Non Commercial Losses

In recent years there have been rules preventing losses from certain business activities such as hobby farms from being offset against other income. The losses have been quarantined to be offset against future income from the business activity.

These rules do not apply to business activities with significant gross income or asset value.

From 1 July 2009, losses will also be quarantined for taxpayers with adjusted taxable income in excess of \$250,000. Adjusted taxable income includes reportable fringe benefits and superannuation contributions. For these taxpayers, it appears that losses will be quarantined regardless of gross income or asset value, unless the losses are due to exceptional circumstances.

### Private Health Insurance Rebate

Currently all persons are entitled to a 30% rebate on their private health insurance premiums. Usually, this is simply claimed by the health fund directly from the Government on behalf of the member.

From 1 July 2009 the rebate will depend on the individual or family income. There will be no rebate for individuals with income greater than \$120,000 (for families \$240,000), a 10% rebate for individuals with income \$90,000 to \$120,000 (for families \$180,000 to \$240,000), a 20% rebate for individuals with income \$75,000 to \$90,000 (for families \$150,000 to \$180,000), and a 30% rebate for all others. A minimum rebate of 30% will apply for persons over 70, and 25% for persons aged 65 to 69.

It is not clear whether these changes will prevent the health funds from claiming the rebate directly from the government.

### Non Business Assets

From 1 July 2009, private use of company assets not subject to fringe benefits tax will be deemed to be a taxable dividend. This will have a significant impact on clients with pleasure assets owned by companies.

The detailed rules will be determined after consultation with the tax profession. It is not known whether the rules will also apply to use of similar assets owned by trusts if the trust owes money to the company.

We will discuss the implications and alternatives with clients as soon as more detail is known.

### Personal Income Tax Rates

Previously announced reductions in personal income tax rates from 1 July 2009 and 1 July 2010 will not be changed.

### Review of Taxation and Retirement Provision

Also released last night were reports relating to incomes in retirement, including age pension and superannuation. Apart from extending the Age Pension qualifying age from 65 to 67 between 2017 and 2023, no decisions were announced by the Government. The released documents do not include any recommendations for immediate policy changes.

The full Henry Review report is expected later in the year. This may be the opportunity for the Government to announce policy changes.

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