



AUSTRALIAN FEDERAL BUDGET 2011

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Well they handed the budget last night, but unfortunately many of the changes announced did not come anywhere near enough with details to explain the issues.

It was the budget that promised to be tough but really was it a tough budget. If that was a tough budget then Mickey Mouse and Rocky are in the same league.

The budget didn't announce any major tax changes, again the same inaction they showed on the handing down of the Henry Review.

It was a budget with the sole aim to bring Australia back to surplus within 2 years, but really at what cost. As most of us small business knows that sometimes in tough conditions we need to spend a bit more to carry us to more prosperous times. We all know that good debt is not a bad thing. The government though has a different spin on this.

Lets recap the Budget handed down yesterday by our Treasure Mr. Wayne Swan :-

- **Small Business**

Well as often the case small business again were left out, nothing in the budget regarding the export development grant, R&D Tax Concessions or reducing the compliance costs.

They did announce though the following:

- As of 1 July 2012 small business (those with turnover under \$2m) will be entitled to a write off of \$5,000 on the purchase of a motor vehicle (really how many small business coming out of the GFC are even contemplating buying a car?)
- An extension of last years budget on an immediate write-off of capital assets purchased with a value of \$5,000 or less.

The good news though is that these write-offs will be available to all small business, no matter if they are trading as sole traders, trusts, partnerships or companies.

The bad news though, in exchange for these, the small business community is losing the Entrepreneurs Tax Offset that if you qualified saved you up to 25% from your final tax bill.



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- Fringe Benefits Tax**

It is important to note that these changes will apply to new arrangements entered into from 10 May 2011, arrangements in place prior will be able to access the old statutory rates - this change only applies to business that apply the statutory method to determine FBT on cars, log book based users are not affected.

Under the old system the more km's travelled the lower your statutory rate which meant the lower your tax bill. Under the new system the following rates will apply

Distance Travelled Under Statutory Method	Existing Cars	New Cars Purchased After 10 May 2011			
		From 10/5/11	1/4/2012	1/4/2013	1/4/2014
0-15,000km	0.26	0.20	0.20	0.20	0.20
15,000 – 25,000 km	0.20	0.20	0.20	0.20	0.20
25,001 - 40,000km	0.11	0.14	0.17	0.20	0.20
More than 40,000km	0.07	0.10	0.13	0.17	0.20

Clearly some winners and losers in these changes, but also the possibility of additional compliance costs to business that provide cars to there employees under salary sacrifice arrangements.

We strongly recommend that you seek our advice on any new arrangements to determine the most cost effective method.

- Superannuation**

No major changes to Superannuation from those already announced, some of the announced changes

- SMSF Annual Levy increase from \$150 to \$180;
- SMSF Auditor registration fee will be introduced from 1 July 2012;
- increased funding to APRA and ASIC for MySuper;
- no increase in thresholds for Government co-contributions, resulting in dollar for dollar matching up to \$1,000, a maximum co-contribution where income is below \$31,920, and a full shade out at \$61,920;
- greater use of tax file numbers to track and consolidate superannuation accounts (from 1 January 2012);
- reporting of contributions on payslips (from 1 July 2012);
- reporting to employers and employees where regular contributions cease (from 1 July 2012); and
- a parent or guardian of a member of a self managed super fund who is a minor can be a director of that fund's corporate trustee.



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- **Personal – Individuals & Families**

- No Personal Tax Cuts but take note Flood Levy to proceed as follows, if you earn between then \$50,000 - \$100,000 an extra 0.5% in excess of \$50,000 over \$100,000 1% on excess of \$100,000
- Minors will no longer be entitled to low income tax offset on unearned income – benefits of income splitting to minors lost
- No deduction against Youth Allowance assisted payments from 1 July 2011 overruling on last years win in the decision FC of T v Anstis
- Dependent spouse rebate for spouses under 40 with no children to be phased out
- Medicare Levy threshold increase for 2010-11
- Reduction in HECS & HELP discounts for upfront payments form 20% to 10%
- For those paying PAYG Instalments from 1 July 2011 will see a reduction in the amount that needs to be paid, preserving cashflow but be wary of final sting come end of year (seek advise on the rate your paying to not leave a shortfall come end of year)
- Child Care Rebate – Additional Payment Option from 1 July 2011 to receive directly into bank account fortnightly
- Have a combined family income of over \$150,000 current government assistance payments will be affected; speak to your advisor for impact as to many variables and effective dates to cover in this overview paper.

- **Company**

- Company Tax rates to reduce
- Company Loss Recoupment Rules amended from 2011-12 year to make it easier for companies to satisfy continuity of ownership and allow prior year losses to be offset in future year

- **Tax Compliance**

- Changes to Director Penalty Notices ; The proposed changes will extend to include
 - Unpaid Superannuation
 - In some instances allow ATO to commence action without the current 21 days waiting period
 - Powers that can extent to ATO preventing a Director from obtaining credits from PAYG Withheld at personal level



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Wrap Up:

The government has promised a truck load of money for Educating and Training a Productive Workforce, with over \$558m to the National Workforce Fund. It will be more of a wait and see on who can access these programs and what it will mean to those struggling employers trying to fill the skill shortages facing there industries. The government has said it will work closely with industry to develop the programs and assistance. Let's hope they execute sooner rather then later.

Also a reminder that all the above points need to gain parliamentary approval before they become law, so please double check on the status before you decided to take up the small offerings.

Should you wish to discuss the impact of the budget on your business or family budget please contact our team at success@akagroup.com.au