Budget 2011 tax changes – aka whatever happened to Henry

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Introduction

• Laying the foundation
• Fight back
• Bringing home the bacon
• ANTS – a new tax system

AND NOW:
• The set top box budget
Budget 2011 tax changes

• Dependent spouse rebate to be phased-out
• Removal of the Entrepreneurs’ tax offset and immediate $5,000 write off for new motor vehicle purchases for SBEs
• Minors and low income tax offset
• Self-education expenses against Youth allowance payments denied
- FTB and family payments adjustments
- Company loss rules
- Small business CGT concessions
- CGT changes
- FBT statutory formula reforms for car fringe benefits
• Not-for-profit sector reforms
• Better targeting of concessions
• Statutory definition of charity
• Charities and Not-for-profits Commission
• PAYG instalment payers: GDP adjustment relief
• Reporting of payments to contractors
• Superannuation - refund of excess concessional contributions
• Higher superannuation contribution caps for over 50s
• Limiting the CGT trading stock exemption for superannuation funds
• Superannuation information on payslips
• Freeze on superannuation co-contribution indexation extended
• Deferral of certain GST reform measures
• Early access to farm management deposits for natural disaster victims and other changes
• Minor tax law amendments
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the good, the bad and the ugly for SMEs

Reforms adopted on May 2

Company and small business tax recommendations

• 28% company tax rate
• Accelerated capital allowances system for small business

Superannuation

• Increase in SG charge to 12%
• SG age limit raised to 75
• $500 low income earners Government contribution
• $50,000 annual concessional superannuation contributions for aged workers
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Reforms adopted on May 11

Individuals and families
• 50% savings discount on up to $1,000
• Optional standard deduction
• Medical expenses tax offset threshold increase

Companies and business
• Main residence provided to a shareholder not subject to Div 7A
• Instalment warrant investor treated as owner of underlying asset
• Payments pursuant to earnout arrangements relate to underlying asset

Superannuation
• Co-contribution matching maintained at 100%

GST
• Financial supply provisions will be rewritten
• Margin scheme provisions will be rewritten
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Recommendations rejected

- Reducing CGT discount
- Limiting negative gearing deductions
- Changing grandfathering provisions for pre-CGT assets
- Removing imputation
- Including family home in means testing
- Changes to not for profit sector taxation
- Abolition of luxury car tax
- Reducing indexation of aged pension
- Introduction of a bequests tax
- Introducing land tax on family home
- Aligning preservation age with pension age
- Increase rate or broaden base of GST
- Removal of tax free superannuation payments for 60 and over
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Key recommendations yet to be considered

**Personal taxation**
- Increase tax-free threshold to $25,000 and reduce tax bands to 35% & 45%
- Retain individual as primary unit of personal taxation
- Restrict availability of subsidies for dependants through tax system
- Tax-exempt status for all income support payments
- Structural tax offsets should be incorporated into personal tax rates scale
- Streamline, simplify and improve effectiveness of concessional tax offsets
- Health levy applied as a proportion of net tax payable
- Remove medical expenses tax offset and review Medicare levy surcharge.
- Wages and salaries should be taxable without exemptions
- Some fringe benefits to be taxed to employees
- Simplification of scope of taxable fringe benefits
- Review FBT exemptions
- Extension of PSI regime
- Tighter rules for deductibility
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Capital gains tax

• Exemption threshold for collectibles and personal use assets increased
• Active asset 50% reduction and 15 year exemption concessions removed
• Rewrite of CGT provisions
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Business taxation

• Business level expenditure tax to be considered
• Carry back of revenue losses by companies
• Immediate write off for low value assets costing less than $1000
• SBE turnover threshold increased to $5M
• Trust rules rewritten
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Other

- Smoother interaction between tax and social security systems
- Pre-filled personal income-tax return initiative extended
- Single family payment to replace current subsidies
- Broader land tax