

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
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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

Government Tax Changes and the Henry Proposals – 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