

Lifestyle Newsflash

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Lifestyle 

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Federal Budget May 2010

The 'no frills' 2010 Federal budget has come and gone with not too many surprises. Other than a modest tax sweetener for interest bearing accounts, there were not any real changes to tax rates or superannuation, as all the big ticket announcements had already been made when the Henry Tax Review was released last week. There was, however, a sneaky sting in the announcement that the reduction in the super co-contribution to (a maximum of) \$1000 would now be permanent.

A couple of the budget items that we believe will have an impact on our clients are outlined below.

50% discount for interest income

From 1 July 2011, individuals will be entitled to a 50% tax discount on up to \$1,000 of interest earned, including interest on deposits held with banks, building societies or credit unions, as well as bonds, debentures or annuity products. The discount will be available for interest income earned directly as well as indirectly, such as via a trust or managed investment scheme.

Changes to income tax rates

The Government confirmed its commitment in last year's Federal Budget to reduce income tax rates effective 1 July 2010.

New tax thresholds from July 2010	Tax rate %
0 – 6,000	0
6,001 – 37,000	15
37,001 – 80,000	30
80,001 – 180,000	37
180,001 +	45

Superannuation co-contribution

The matching rate for the superannuation co-contribution will be permanently retained at 100% of a person's eligible personal non-concessional superannuation contributions up to a maximum contribution of \$1,000.

The Government will also freeze the indexation applied on the income threshold above which the maximum superannuation co-contribution begins to phase down for 2010/11 and 2011/12. This means that the thresholds will be frozen at \$31,920 and \$61,920 for the next two years.

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Increasing the superannuation guarantee (SG) rate

The SG rate will be increased gradually from its current rate of 9% with initial increments of 0.25% on 1 July 2013 and on 1 July 2014. Further increments of 0.5% will apply annually up to 2019/20, when the SG rate will be set at 12 per cent as outlined in the table below.

Financial year	SG rate (%)
2009 - 2013	9%
2013/14	9.25%
2014/15	9.5%
2015/16	10%
2016/17	10.5%
2017/18	11%
2018/19	11.5%
2019 onwards	12%

The SG age limit to increase from 70 to 75

This proposal raises the superannuation guarantee (SG) age limit from 70 to 75 commencing 1 July 2013. Currently SG only applies to people aged up to 70.

Government super contributions tax rebate for low income earners

The Government will make a super contribution of up to 15% of the concessional contributions made by or for individuals on adjusted taxable incomes (ATI) of up to \$37,000 (not indexed), subject to a maximum limit of \$500 (not indexed). This will apply from 1 July 2012 and paid into the person's super account in the 2013/14 financial year.

This means that individuals with ATI's of \$37,000 or less, in effect, will not pay contributions tax on concessional contributions.

Concessional contributions (CC) cap increase

The CC cap for those aged 50 or more was set to reduce to \$25,000 from 1 July 2012. This measure retains the higher CC cap of \$50,000 (indexed) permanently, but only for those who have total super balances of under \$500,000.