

BENEATH THE SURFACE

2007 BUDGET ANNOUNCEMENTS!

Source: National Tax & Accountants' Association; National Institute of Accountants; Tax Institute of Australia

SNAPSHOT OF BUDGET 2006-07

Please note that at the time of going to print, many of these proposals were not law, so there may be some changes between now and when they become law.

Personal Income Tax Cuts

Current (2007) Tax Thresholds Income Range (\$)	Tax Rate %	New Tax Thresholds from 1 July 2007 Income Range (\$)	Tax Rate %	New Tax Thresholds from 1 July 2008 Income Range (\$)	Tax Rate %
0-6,000	0%	0-6,000	0%	0-6,000	0%
6,001-25,000	15%	6,001- 30,000	15%	6,001-30,000	15%
25,001-75,000	30%	30,001 -75,000	30%	30,001- 80,000	30%
75,001-150,000	40%	75,001-150,000	40%	80,001-180,000	40%
150,001+	45%	150,001+	45%	180,001+	45%

Positive Cash Flow Story

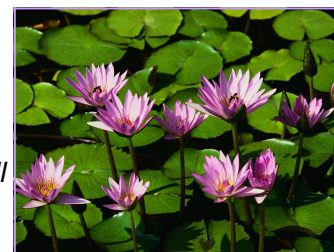
As some of you know, here at Beneath the Surface, we are passionate about positive cash flow and savings. Debbie is one client who decided to follow our recommendations in this area. The Government has been dropping personal tax rates consistently for some years now, so Debbie decided to save every dollar of personal tax savings that she has received since they began some years ago. Last month, I learned that Debbie now has a \$10,000 lump sum in her travel account and she is currently spending some of those **saved** tax cuts on an overseas holiday. If you would like help with cash flow or savings plans please call us today to arrange an appointment.

Medicare Levy - Low Income Thresholds

The 2006/07 Medicare Levy low-income thresholds will be as follows :

Individuals	\$16,740	(previously \$16,284)
Families	\$28,247	(previously \$27,478)

The additional amount of threshold for each dependent child student will also be increased to \$2,594 (previously \$2,523).



Senior Australians Tax Offset

As a result of the proposed tax cuts, Senior Australians eligible for the senior Australians tax offset in 2007/08 will pay no tax on an annual income of up to \$25,867 for singles and \$43,360 for couples.

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Increased Benefit Payments for Seniors

The Budget contains special bonus payments for:

- ◇ **Older Australians:**
 - ◇ seniors bonus payment of \$500 to individuals of age pension or service pension age receiving the Utilities Allowance or the Seniors Concession Allowance at 8 May 2007;
 - ◇ individuals receiving the Mature Age Allowance, Widows Allowance and Partner Allowance will also receive the payment.
- ◇ **Carers:**
 - ◇ recipients of the Care Payment will receive a \$1,000 bonus payment;
 - ◇ those who receive the Care Allowance will be given a \$600 bonus payment;
 - ◇ the \$1,000 bonus will also be paid to those who receive both the Carer Allowance and either the Wife Pension or the Veterans' Affairs Partner Service Pension.



There are special bonus payments for older Australians

The seniors and carers bonuses will be paid by 30 June 2007, be tax free, and not treated as income when calculating social security payments.

- ◇ **Some recipients of war veteran's benefits:**
 - ◇ The Government will make a one-off free payment of \$25,000 to Australians who were Prisoners of War in Europe, or their surviving widows who were alive on 1 January 2007.

Low Income Tax Offset

From 1 July 2007, the Low Income Tax Offset (LITO) will increase from \$600 to \$750 and will begin to phase-out from a taxable income of \$30,000. Some offset will be able to be claimed up to an income of \$48,750 compared to \$40,000 currently.

Taxpayers eligible for the full LITO will not pay tax until their annual income exceeds \$11,000 (up from \$10,000). Furthermore, minors will not be taxed until annual income exceeds \$1,667 (up from \$1,333).

Note: There may be some changes between now and when these proposals become law.

Dependent Spouse Rebate

From 1 July 2007, the dependent spouse rebate will be increased to \$2,100 (up from \$1,655). The rebate is phased-out when separate net income reaches \$8,682.

Childcare Tax Offset is Now a Direct Payment

From 1 July 2007, families will receive the existing child care tax offset (ie a 30% rebate on out-of-pocket approved child care costs, up to a maximum of \$4,000 per child, plus indexation) as a **direct** payment administered through Centrelink, soon after the end of the financial year in which they incur child care costs.

Families will still receive the tax offset for out-of-pocket costs incurred in 2005/06, under the existing tax system arrangements (ie through the lodgement of the 2007 income tax return).

This means that families with out-of-pocket child care costs for both 2005/06 and 2006/07 will receive two rebates in 2007/08 (ie one through the tax system under the existing rules, and one as a direct payment under the new rules).

As part of the new arrangements, lower income families who previously had insufficient income to receive their full rebate entitlement will now be able to benefit fully from the child care tax rebate.

Superannuation Co-Contribution

- ◇ **'One-off' additional Government co-contribution:**

The government will pay a one-off additional co-contribution into the superannuation accounts of those people who made eligible contributions in the 2005/06 income year. This payment will double the co-contribution paid in respect of that year.

For example, if a person had made an undeducted contribution of \$1,000 in 2005/06 and was eligible for co-contribution of \$1,500 in respect of that year, they will now receive an extra co-contribution of \$1,500, so that the total co-contribution payments in respect of that year would be \$3,000.

- ◇ **Self-employed taxpayers:**

From 1 July 2007 self-employed taxpayers will also have access to this co-contribution system based on their **net** profit levels.

Small Business Initiatives

1. From 1 July 2007, a business with annual turnover of less than \$75,000 (\$150,000 for non-profit bodies) will no longer be required to register for GST.

As a result, more small businesses and non-profit bodies can choose whether to register for GST. If they do voluntarily register, they

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will have the option of remitting GST only once a year, rather than quarterly. **Please note** however that it is always our recommendation that taxpayers lodge quarterly and use the actual method of calculating their instalment amounts. This keeps you on track with your business trading results and minimises the risk of cash flow tragedies, via shortfalls.

2. Effective from 1 July 2008, the Government will allow these taxpayers (ie who voluntarily register for GST) to pay their PAYG instalments on an annual basis – **see** our recommendation in item 1 above.
3. From 1 July 2007, any small business that makes mixed (taxable and GST-free) supplies or mixed purchases will be able to approach the ATO to discuss the development of a simplified accounting method for their use. At present these measures are restricted to retailers that sell food and to charities that make GST free supplies.
4. From 1 July 2007, purchases by businesses valued at \$75 or less (excluding GST) will no longer require a valid tax invoice to claim an input tax credit. This measure will also carry over to the “no-ABN withholding” arrangements, increasing the threshold for “no-ABN” withholding from \$50 to \$75.



CGT - Extending Small Superannuation Fund Roll-Over on Marriage

From 1 July 2007, spouses in a marriage break-down will be able to make an ‘in-specie’ transfer of their entire interest in a small superannuation fund to another complying superannuation fund, without there being an immediate capital gains (CGT) taxing point. Be aware though that stamp duty will need to be considered.



Crackdown on Outstanding Employer Superannuation Guarantee Debts

The Budget foreshadows a crackdown on outstanding employer superannuation guarantee debts and a general crackdown (not specifically directed at employers) on outstanding tax debts. **Ensure** that all superannuation guarantee payments are banked into the respective superannuation funds **before** 28 July, 28 October, 28 January and 28 April.

HOLIDAYS, TRAINING & BAS

Our office will be closed for annual leave and training from 30 June to 15 July 2007 inclusive. Please do your best to have your BAS details to us by Tuesday 17 July 2007.

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