

Charter Partners Tax & Business Tips 2011/2012 Federal Budget

The 2011/2012 Federal Budget was a 'nip and tuck' Budget.

Many of the changes were either because of or justified by the need to improve the workforce participation rate to counter the declining unemployment rate from the current level of 5% to 4.5% by June 2013. Others were simply to fulfil the promise of bringing the budget into surplus.

Some changes were more than cosmetic with a temporary flood and cyclone reconstruction levy set to apply in the 2011/2012 income year to those who earn over \$50,000 (adding \$1.725bn to Government revenues over 5 years). FBT changes will add an additional \$970m over 5 years. And, a few 'tucks' will be made to the tax system with the phasing out of the dependent spouse tax offset and removing the ability for minors to access the low income tax offset on unearned income in order to restrict income splitting.

Some areas of interest to business remained unchanged: the company tax rate reductions announced in the previous Budget remain intact as do some of the small business initiatives. Some extra revenue has been gained by delaying the start of some broader (mostly green) reforms and infrastructure projects, and holding indexation at current levels for family payments. In the superannuation area, reforms to the excess contributions tax regime may provide some relief (but not this year).

Some of the detail, such as the \$5,000 write-off for small business to purchase a car (replacing the entrepreneurs tax offset), and the FBT changes were announced/leaked ahead of the budget. So, there were few surprises in this budget.

The elephant in the room was the carbon emissions trading scheme, or the lack of it. There is no detail beyond funding for an advertising campaign. This means that when the final shape of the emissions trading scheme is known, the Government will need to release an updated set of figures.

Key Budget points

- FBT – statutory formula method for valuing car fringe benefits to change to a single statutory rate of 20%
- Flood and cyclone reconstruction levy introduced in 2011/2012 income year on income above \$50,000
- Income splitting targeted – low income tax offset removed for minors on unearned income
- Dependent spouse offset phased out
- Tax legislation to be amended to ensure taxpayers cannot claim deductions against government assistance payments
- Entrepreneur's Tax Offset abolished
- \$5,000 accelerated deduction for motor vehicles for small business introduced
- Reforms to excess contributions tax from 1 July 2011
- Reduction in minimum pension payment amounts phasing out
- Reduction in GDP adjustment factor for PAYG instalment taxpayers

- Changes to the scrip for scrip roll-over and the small business concessions
- Main residence exemption extension for special disability trusts
- Trading stock exception for super funds removed
- Debt/equity 'connected entity' loop hole closed
- GST instalment system accessible to businesses in a net refund position
- Company loss recoupment rule reforms
- Phoenix company directors targeted
- Early access to farm management deposits in natural disasters
- International withholding tax arrangements extended
- NFP concessional tax status tightened
- Statutory definition of a charity to be introduced
- Some companies will be required to report annually on payments made to contractors in the building and construction industry from 1 July 2012. The cleaning industry has also been flagged as a possible compulsory reporting industry
- As planned, company tax rate will reduce to 29% for small business in 2012/2013

KEY LINKS

- [2011/2012 Budget website](#)
- [Budget Speech](#)
- [Treasurer's website](#)

Key Budget media releases

- [Keeping Low-Income Earners Exempt from Medicare Levy](#)
- [Reforms to Car Fringe Benefit Rules](#)
- [More Help for Australian Small Business](#)
- [Making Australia's Tax System Simpler and Fairer](#)
- [Phasing out the Dependent Spouse Tax Offset](#)
- [Making it Easier for Charities to Help Those Who Need it](#)
- [Superannuation - Reform of Excess Contribution Regime Gives Australians New Powers to Request Refunds](#)
- [Removal of Income Tax Impediments Affecting Special Disability Trusts](#)
- [Changes to the Low Income Tax Offset for Non-Work Income of Minors](#)
- [Improving Tax Fairness and Compliance](#)