

Federal Budget Tax Highlights 2010/11

As expected, The Budget contained measures to provide a tax discount on savings and to make it easier to fill in tax returns. However, the Budget unexpectedly contained a raft of other minor tax changes.

A large number of measures noted in the Budget were released last week in the Government's response to the Australia's Future Tax System report (Henry Review).

Here are the Tax Highlights of the 2010/11 Budget.

Individuals and families

- From 1 July 2011, individuals will be entitled to a 50% discount on up to \$1,000 of interest earned.
- From 1 July 2012, individual taxpayers will be entitled to an optional standard deduction of \$500, increasing to \$1,000 from 1 July 2013.
- The medical expenses tax offset threshold will be increased from \$1,500 to \$2,000 with effect from 1 July 2010. The threshold will also be indexed annually, with effect from 1 July 2011.
- The Medicare low-income thresholds will be increased to \$18,488 for individuals and \$31,196 for families, with effect from 1 July 2009.
- Money held in first home savers accounts will be able to be paid into approved mortgages where the account holder buys a home prior to the end of the four year period.
- The Senior Australians tax offset regulations will be amended, with effect from 1 July 2010, to take account of the low income tax offset threshold.
- The benchmark interest rate on capital protected borrowings entered into from 7:30 pm (AEST) 13 May 2008 is the Reserve Bank indicator rate for standard variable housing loans plus 100 basis points.

Companies and trusts

- There will be changes to eligibility requirements for film tax offsets to provide a boost for the Australian film industry
- From 1 July 2009, where a private company provides a dwelling to the shareholder of the private company or their associate, for use as their main residence, a payment will not arise under the non-commercial loan rules.

- The income tax treatment of qualifying instalment warrants will be amended to provide certainty for investors by treating them as the owner of the underlying asset for income tax purposes, with effect from 1 July 2007.
- The operation of the consolidation regime will be improved in various ways to correct technical deficiencies and to ensure that the operation is as intended.
- The rules relating to the calculation and collection of income tax liabilities will be improved so that they apply consistently to consolidated groups and MEC groups, and confirm existing practice.
- Application dates of previously announced consolidation measures will be modified
- Non-membership equity interests issued by a leaving or joining entity to a consolidated group are to be taken account under the tax cost setting rules
- CGT rollover will apply to Indigenous incorporated bodies converting to a company incorporated under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* after 7.30 pm (AEST) on 11 May 2010.
- From 11 May 2010, Australian interest holders will be able to access a broader range of CGT rollovers where an entity restructures using a share or interest sale facility for foreign interest holders.
- From 11 May 2010, the CGT demerger relief provisions will be extended so that demerger groups which currently include corporations sole or complying superannuation entities can benefit from the relief.
- Flexibility will be provided in managing running balance accounts and interest will be paid to taxpayers where overpayments arise because of an amended franking deficit tax assessment.

Superannuation

- The co-contribution matching rate will be permanently maintained at 100% and co-contribution thresholds will be non-indexed for the next two income years

GST

- All the recommendations of the Board of Taxation from its Review of the application of GST to cross-border transactions will be implemented, with effect from 1 July 2012.
- The GST law will be amended to replace the current mechanism for exempting Australian taxes, fees and charges with a principles-based legislative exemption, with effect from 1 July 2011.
- The financial supply provisions of the GST law will be amended to clarify the operation of the legislation and reduce compliance and administrative costs, particularly for many small businesses, with effect from 1 July 2012.
- The margin scheme provisions will be restructured to clarify and simplify the current provisions, with effect from 1 July 2012. The Government will also make a minor technical amendment to ensure that a valuation can be obtained for the purposes of using the margin scheme for subdivided land.

- Eligible supplies of boats used for recreational purposes will be GST-free if the boats are exported from Australia within 12 months, with effect from 1 July 2011. The current limit is 60 days.
- A number of minor revisions will reduce GST compliance costs for businesses involved in the domestic transport of exported and imported goods.

Other taxes

- The 2004/05 Budget measure to introduce an energy content-based fuel excise system will be amended, in particular, for ethanol.

Tax administration

- The Tax Office will be given \$107.9m over four years to unfair competitive advantages that arise when some small business operators avoid their taxation obligations by conducting their businesses in the cash economy.

Taking you forward 
