



lead partners
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BUDGET OVERVIEW 2008

Personal Taxation

The 2008-2009 year will see the first of the personal income tax brackets raised:

Tax Bracket	New Upper Threshold	Past upper threshold
15%	\$6,001	\$6,001
30%	\$34,001	\$30,001
40%	\$80,001	\$75,001
45%	\$180,001	\$150,001

The bars on the personal tax brackets are set to increase annually over the next four years. The Government anticipates that by 2013-2014 there will be three tax rates: 15%, 30% and 40%.

From 1 July 2008 the Medicare levy surcharge thresholds for singles will increase from \$50,000 to \$100,000 and for families from \$100,000 to \$150,000.

Senior Australians eligible for the Senior Australians Tax Offset will have their tax free threshold raised to \$28,867 for individuals and \$49,360 for a couple. Low income earners will also benefit further with an increase in the low income tax offset to \$1,200 up from \$750. This effectively increased the tax free threshold for low income earners to \$14,000.

Families will receive increased benefit for children and education. The Child Care Tax Rebate (CCTR) increase to 50% over the next four years. Child Care support will be provided to families quarterly rather than annually.

The Government will remove the Child Care Benefit (CCB) minimum rate from the first Monday in July 2008. As a result, high income families (over \$110,000 per annum) will no longer receive any CCB.

From 1 July 2008, the baby bonus will increase from \$4,258 to \$5,000 and will be indexed yearly.

From 1 January 2009, the baby bonus;

- will be limited to families with adjusted taxable income of \$75,000 or less in the six months from the birth of the child (equivalent annual family income of \$150,000);
- will be paid in 13 fortnightly payments of approximately \$385 per fortnight;

Government will implement an Education Tax Refund to provide eligible families in receipt of the Family Tax Benefit A with an amount of:

- \$375 for each child attending primary school; and
- \$750 for each child attending high school.

The education refund will be paid annually following lodgement of the income tax return.

First home buyers will receive a 17% Government contribution on the first \$5,000 deposited into a First Home Savers Account. Tax on earnings will be capped at 15%.

Income tested benefits

From 1 July 2009, income tests used to determine eligibility for a range of government financial assistance programs will be tightened to include forms of non-wage remuneration and where appropriate, losses from discretionary activities.

The definition of income for income tested benefits will include:

- Salary sacrifice super contributions
- Net financial losses
- Reportable fringe benefits

Family Trust Elections

The Government will reverse two family trust changes introduced in Tax Laws Amendment Act 2007 to limit the ability of family trusts to soak up losses to lower income tax.

Entrepreneurs' tax offset (ETO)

The Government will introduce an income test for the ETO from July. Eligibility will be restricted to individuals with annual adjusted taxable income of less than \$75,000 and to families with annual adjusted taxable income of less than \$120,000.