



POST-ELECTION SNAPSHOT

Parliament is set to resume on Tuesday 12 February 2008. As this will be the first sitting day for the new Government elected in last year's November federal election, we thought it might be useful to give you with a snapshot of some potential tax changes on the horizon.

The new Government didn't go into last year's election with tax as one of its overall high profile campaign strategies. However, there were a number of key election tax proposals.

A WORD OF CAUTION

What follows are proposals at this stage only – we have yet to see what steps the Government will take to realise them, if at all.

Proposals for individuals

- **Resident individual income tax rates** should be 15%, 30% and 40% by 2013-14 (this is an aspirational goal). In the meantime, it was indicated that from 1 July 2008 the taxable income threshold at which the current 30% rate cuts in will increase from \$30,001 to \$34,001, going up to \$35,001 from 1 July 2009 and \$37,001 from 1 July 2010.
- A **50% education tax refund** for families, with a maximum of \$375 each year per child attending primary school and a maximum of \$750 each year per child in secondary school (you will have to receive Family Tax Benefit (Part A) to access this proposed tax refund).
- **Access to Family Tax Benefit (Part B)** will be limited to families with an adjusted taxable income of less than \$250,000.
- **Increase the Child Care Rebate** from 30% to 50% (covering up to \$7,500 of out of pocket expenses per child) and pay the rebate quarterly rather than yearly.
- Persons over 18, who satisfy the First Home Owners Grant eligibility criteria, will be able to open a **First Home Saver Account**. There will be a minimum savings period of 4 years until withdrawal and a number of rules around how much you need to contribute. Account earnings will be taxed at 15% and withdrawals from the account will be tax free if used for an eligible first home purchase.
- Reverse changes made by the previous Government late last year to the **family trust election provisions**. This proposal is controversial because the changes tidied up a number of problem areas in these rules, e.g., by allowing the revocation of family trust elections and amending the definition of 'family' to ensure the rules operate more equitably.

Business related proposals

- **Reduce withholding tax** to 15% on certain distributions from Australian managed funds to non-resident investors.
- Examine the opportunity for a **managed investment tax regime** (including a specific tax regime for Real Estate Investment Trusts).



Superannuation proposals

- Establish a **superannuation clearing house**. Whilst the choice of fund regime will be retained, it is proposed to allow businesses the option to make payments into one central private sector clearing house at which point their legal responsibility to make employee super contributions will be discharged.
- **Inactive lost superannuation accounts** will be automatically consolidated.
- Whilst the new Government has indicated at this stage that employers will not be required to contribute beyond the existing compulsory 9% **Superannuation Guarantee**, they have indicated that a total savings target of 15% is more appropriate. It is proposed to achieve this by looking at ways to provide additional incentives to low and middle income earners to add to the 9% Super Guarantee through personal contributions and Government incentives (such as an enhanced co-contribution schemes).
- Consider expanding the **super co-contribution scheme** through lifting the \$1,500 cap or relaxing the means test to help those on middle incomes.
- Labor indicated that they supported the previous Government's welcomed proposal to remove the double penalty on employer **late Super Guarantee payments**.

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