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2009 Federal Budget Highlights-Superannuation

Reduction in the concessional contribution caps– the cap will be reduced to $25,000 p.a. (indexed) from the 2009/10 year for those under 50. The transitional concessional contributions cap (applicable to individuals aged 50 & over for 2009/10– 2011/12 years) will be reduced to $50,000 p.a. The annual cap on non concessional contributions is $150,000 p.a. and will remain the same in 2009/10.

Account Based Pension Drawdown Relief extended to 2009/10– In February 2009 the Government halved the minimum payment amounts required to be made from account based pensions to reduce the need to sell assets at a loss the meet the requirements. The extension applies to account based, allocated and market linked pensions, for the 2009/10 financial year.

Preservation Age & Pension age to increase to 67 years– the transition to the higher pension age will commence in July 2017, with the qualifying age increasing by 6 months every 2 years to reach 67 on 1 July 2023.

Trans-Tasman Superannuation Portability scheme– the Australian & New Zealand Governments have agreed in principal to establish a scheme which would allow transfers of Super savings between certain Australian Funds & KiwiSaver funds.

Governments Superannuation Co Contributions Temporary Reduction. The matching rate & maximum co contribution that is payable on an individuals eligible personal non-concessional super contributions will be reduced.

* 100% for 2009/10, 2010/11 & 2011/12 with a maximum co contribution of $1,000 (was $1,500) reduced by 33 cents for each dollar the individuals income exceeds the shade out threshold.

* 125% for 2012/13 & 2013/14. maximum co contribution of $1,250 reduced by 4.165 cents for each dollar exceeding the threshold.

* 150% from 2014/15. Maximum co contribution of $1,500 reduced by 5 cents for each dollar above the threshold.

Investment Allowance- Tax Break

For eligible assets costing $1,000 or more acquired from 13 December 2008 to 31 December 2009, business' can claim an additional 50 per cent deduction where the assets are installed by 31 December 2010.

The *Small Business and General Business Tax Break* will mean for example;

A small business that buys and installs a $2,000 computer before the end of June 2009 can claim an additional $1000 deduction in its 2008-09 tax return.

A business that buys and takes possession of a $60,000 backhoe by the end of December 2009 can claim an additional $30,000 deduction in its 2009-10 tax return.

Small businesses can claim an additional 50 per cent tax deduction for eligible assets costing $1,000 or more that they acquire from 13 December 2008 to 31 December 2009, and install by 30 June 2010.
To benefit from this tax break a small business must have a turnover of $2 million a year or less.
Other businesses, with a turnover of greater than $2 million can receive the same deductions for eligible assets greater than $10,000.
This allowance will further boost business investment and confidence in the Australian economy in the face of the global recession.
Assets eligible for the allowance are new tangible depreciating assets and new expenditure on existing assets used in carrying on a business for which a deduction is available under the core provisions of Division 40 (Capital Allowances) in the *Income Tax Assessment Act 1997*.

Businesses in Australia - especially small businesses - are the engine of the Australian economy and deserve direct support during a global recession.

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The deduction will be available to the taxpayer who is entitled to the capital allowance deduction under Division 40 of ITAA97 in respect of the asset. The deduction is on top of the usual capital allowance deduction claimable for the asset as part of the taxpayer's income tax return.
The deduction will be able to be claimed based on the applicable rate (50per cent, 30 per cent or 10 per cent) and the asset's first and/or second elements of cost in terms of Subdivision 40-C.

The deduction is claimable in the income year in which the asset is installed ready for use.

URGENT YEAR END PLANNING FOR SUPERANNUATION

Concessional contributions are contributions that go into your super before they are taxed and you will be claiming a tax deduction for that contribution. Non concessional is money going into super after it is taxed that you can't or won't claim a tax deduction for. Your concessional contributions are taxed going into super at 15%. Non concessional is not taxed at all (some time in the past you have probably paid income tax on that money).

If you are lucky enough to have a transition to retirement income stream (TRIS) you should review making concessional contributions in excess of $50k to ensure your income stream is rebalanced for the post 1 July 2009 contribution rules.

Right now until the 30/06/2009 you can concessionally contribute $50k into your super (or if you are over 50 years $100k). From the 1/07/09 the highest concessional contribution for people under 50 is $25k. In effect, concessional contributions will be halved. The $100k for the over 50s will also be halved to $50k. These limits includes the 9% employer contributions. If you make a mistake you suffer a penalty tax on the excess at 31.5% in addition to the standard 15%. A total excess contributions tax of 46.5%.

If you are over 50 years of age, use up as much of the higher concessional contributions cap of $100k before 30/06/09. You can no longer easily just funnel money into super closer to your retirement. The large "last minute" concessional money is reduced. Rumour has it that later this year the $150k non concessional limit will also be reduced. Stick the money in now while you can before it is too late.

If you are able to get the Government's Co Contribution act now as it is also being reduced as of the 1 July 2009.

Fraud– BEWARE!

Advance Fee or Advance Payment frauds have been around for some time. The fraud is found in various disguises, but the common factors of the fraud always remain the same. It is essentially a scheme to part victims from their money while giving nothing in return. There are 4 basic components to the fraud:

1. An offer that appears to be value for money – and if the offer (the goods or services) was actually delivered for the price, it probably would be value for money. This separates advance fee frauds from frauds based on selling items at greatly over valued prices (worthless securities, etc).

2. Payment of an amount by the victim. This is usually a significant deposit made well before the promised delivery date of the goods or services. A typical scheme has a large deposit paid with 'the balance payable upon complete satisfaction' or 'release of the product'. The fraudster may never intend to collect the balance of the monies. They may simply rely on taking the deposit monies from a number of people. This approach gives the victims some confidence in the scheme as all of the money is not demanded before delivery.

3. A time period before the promised delivery – this allows the fraudster to reach as many potential victims as possible before the fraud is uncovered and the scheme has to come to an end. This period generally includes a stated time period before delivery, and a period where the usual excuses for late delivery are used. This is not a fraud that can be continued for an extended time. Eventually customers will start investigating why they have not received their goods etc.

4. Non delivery of the promised goods or services, and the disappearance of the fraudster and the money.

One popular scheme is the production of local business directories. Business people are approached to be included in a 'new' directory, and are told that their competition will be advertising. A deposit is paid when an official looking contract is signed - and the directory is never produced.

Advance fee fraud can be very unsophisticated. It can be as simple as a promise to deliver and the taking of a deposit. But it is a very successful fraud, or it would not continually reappear.

Keys to Success– Tips for First Home Buyers

The first home owners boost payment will be extended until the end of September at the current levels ($7,000 for existing homes & $14,000 for new homes both on top of the $7,000 first home owners grant). From the first of October the payment will drop to $10,500 for existing homes and drop to $14,000 for new homes.

A calm head and solid market research may mean a first home buyer can buy a property with mortgage payments similar to rent. With interest rates falling by more than 4.25 percentage points since September , grants and stamp duty concessions shaving thousands of dollars of purchase costs, there are big incentives to purchase your first home now.

Following are some tips for those first home buyers looking to enter the property market.

Set your budget.

You should know how much you are able to borrow before you start looking for your home. First home buyers should get pre-approval from their lending institution to avoid holding up the loan approval.

Experts recommend the rule of borrowing about 3 times your annual income when setting your home loan budget. First home buyers need to stick with what they can afford. It is also recommended that couples use only one partner's salary to pay the mortgage and ideally try to make extra repayments at 4% higher than those charged by the lender. The outcome is that you will pay your loan back in half the time if rates stay the same.

Lifestyle and location.

Most first home buyers have to compromise on location due to affordability. It helps to shortlist at least 3-5 locations and start following the market closely to get a firm idea of the prices and value in these areas.

Do the research.

The real work begins once you've narrowed down your locations. A cheap research method is to make weekly checks of properties in your price range and keep a detailed list. Record asking prices and the length of time it takes a property to sell. Note features such as the size, land size, condition, number of bedrooms and car parking.

Follow up with inspections.

It is important to attend home inspections for as many properties as possible (within your price range). This enables you to physically compare features and make more detailed notes. These notes will become your negotiating tool and could help you save 5% or more when it comes to negotiating your price.

Organise your finance

Banks and lenders are clamping down on first home buyers that rely solely on the government grants to provide a deposit for a property. First home buyers can short circuit delays by being extremely organised and making all evidence of income and savings available to their broker or lender. First home buyers should find a mortgage that offers a low rate and no ongoing fees. Any extra options should be carefully considered.

Find a lawyer or conveyancer

Legal fees vary widely but the legal process can cost up to $3000, so don't forget to factor that into your budget. A good lawyer will put pressure on lenders to ensure financing is in order so settlement won't be delayed, as well as overseeing the first home buyer grants and stamp duty exemption application processes. It helps to have a lawyer organised before you find the property you want so that you can exchange contracts swiftly to secure your home.

Find the right home

After researching and attending at least 5-10 inspections it makes it easier to decide when you've found the right home. If you are well prepared you will know you've found the right home. It will tick most of the boxes and will stack up when it comes to value.

Negotiate your price

Finding the right home costs money. You need to pay for building and pest inspections. Along with your detailed property research, the inspection notes become your price negotiating tools. If you can successfully argue reason to discount the asking price of a home because you have good research detailing other recent sales- then the owner is much more likely to accept a discount on price. A 5-10% discount on the asking price is not unusual for a property that has been on the market for a few months and has building flaws.

Exchanging contracts.

Exchanging contracts is exciting however the real excitement is upon settlement, which is usually 6 weeks from exchange. Most first home buyers are unaware of the to-ing and fro-ing during the legal phase. Before settlement day organise an inspection to make sure the property is in order and then insist on the agent giving you the keys as close as possible to the settlement time.

Exert from Alex Brooks, The Sydney Morning Herald, Saturday May 16 2009.

Tax Rate Changes Remain for 2008-09

\$0-\$6,000	NIL
\$6,001-\$34,000	15c for each \$1 over \$6,000
\$34,001-\$80,000	\$4,200 plus 30c for each \$1 over \$34,000
\$80,001-\$180,000	\$18,000 plus 40c for each \$1 over \$80,000
\$180,001 & over	\$58,000 plus 45c for each \$1 over \$180,000

Plus 1.5% Medicare levy

Tax Rates 2009-10

\$0-\$6,000	NIL
\$6,001-\$35,000	15c for each \$1 over \$6,000
\$35,001-\$80,000	\$4,350 plus 30c for each \$1 over \$35,000
\$80,001-\$180,000	\$17,850 plus 38c for each \$1 over \$80,000
\$180,001 & over	\$55,850 plus 45c for each \$1 over \$180,000

Plus 1.5% Medicare levy

FREE SEMINAR

BWR Accountants & Advisers and Morse Financial Services in conjunction with Challenger are holding an information evening 17th June 2009 at Forbes Services Club at 6pm.

The evenings topics will cover:

- **The budget– how it will affect your investment position**
- **End of year tax planning strategies**
- **Understanding your investment position, information on market trends and effects and future investment opportunities.**
- **You will have the chance to speak with fund managers, advisers and investors.**

We'd love to see you there. If you are interested please call our office on 02 6852 1855 and register with Jeannette.

Drought Affected Farmers

\$715.3 million has been allocated in the coming financial year to provide support to drought affected farmers, families, small businesses and rural communities. Agricultural minister Tony Bourke has reported Exceptional Circumstances assistance has remained unchanged. A 12 month extension of EC help for small businesses has been granted. The \$20,000 salary and wages exemption for EC relief payments and the \$750,000 off-farm asset exemption for the EC interest rate subsidy has been continued.

Age Pension Changes & Increases

As of the 20/09/2009 a new pension package will deliver \$32.49/week increase for single pensioners on the full rate of pension. \$10.14/week increase for couple pensioners on the full rate of pension. Increases will be provided in two forms. An increase in the base rate of pension for singles, and an increase in a new Pension Supplement for singles & couples.

Paid Parental Leave

A paid parental leave scheme will be introduced from 1/01/2011. The scheme will provide eligible parents with 18 weeks at the federal minimum wage. These payments will be treated as taxable income and will affect entitlement to family assistance payments.

Increases in Medicare Levy

On 1/07/09 the low income thresholds will increase to \$17,794 for individuals & \$30,025 for individuals in families. The additional amount for dependent children will increase to \$2,757. The levy for pensioners below pension age will increase to \$25,299.

Family Tax Benefit– A

FTB-A payment rates will be indexed by CPI consistent with other family payments such as FTB Part B & the Baby Bonus.

New legislation was introduced in early 2009 to make Family Tax Benefit no longer payable through the Australian Tax Office from 1 July 2009. You have two options for claiming FBT through Medicare Australia or Centrelink:

1. Lodge a lump sum claim after the end of the financial year for 2008-09 year. It is important to remember you will not receive any payment until you and your partner have lodged your Income Tax Returns for the same financial year as the claim.
2. Lodge a claim for fortnightly payments based on an estimate of your income.

Private Health Insurance Rebate Phases out at \$120k

3 New Private health Insurance Incentive Tiers will be introduced as of 1/07/2010.

* Tier 1– singles with income of more than \$75k (more than \$150k for families). The private health insurance rebate will be 20% increasing to 25% at 65yrs and 30% at 70yrs. The private health insurance surcharge for not taking out compliant insurance will remain at 1 %.

* Tier 2– singles income greater than \$90k (>\$180k families). Rebate 10% increasing to 15% at 65yrs and 20% 70yrs. Surcharge increases to 1.25%.

* Tier 3– singles income more than \$120k (more than \$240k families). No private health insurance will be provided. The surcharge will be increased to 1.5%.