



Federal Budget 2010/11 Special edition newsletter

12 May 2010

There were no major surprises in the Federal Budget as many of the proposed changes to super were already announced earlier in the month with the release of the Henry Tax Review. The main change for super was the permanent reduction of the Government Co-contribution.

Other tax changes included the 50% tax discount on savings income, reduction in personal income tax, increase in tax offsets and the introduction of a standard tax deduction for work-related expenses.

Changes to super previously announced in the Henry Tax Review

To help Australians be more self-sufficient in retirement, starting in 2013 the Superannuation Guarantee (SG) will gradually increase from 9% up to 12% by 2019.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Rate	9.25%	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%

The maximum age at which workers are eligible for the Superannuation Guarantee will increase from 70 to 75 years in 2013. Currently these people are restricted to voluntary salary sacrifice contributions and other personal after-tax contributions. This will provide a retirement savings incentive for people who remain in the workforce.

From July 2012 workers earning less than \$37,000 will be able to claim a maximum \$500 tax rebate per annum on their super contributions and this rebate will be paid into their super account. Combined with the Government Co-contribution, this change provides lower income earners more incentive to save for their retirement.

The current cap on concessional super contributions of \$50,000 for workers 50 years of age and over will become permanent in 2012 but it will only apply to people with super balances of less than \$500,000. This allows older workers to 'catch up' with their super contributions as they approach retirement.

Changes to the Government Co-contribution

Last year the maximum Government Co-contribution was reduced from \$1,500 to \$1,000, matching 100% of non-concessional super contribution made by lower income earners up to \$1,000.

This maximum amount will remain unchanged and the income thresholds used to determine the amount of the Co-contribution, which are normally indexed each year, will now also remain unchanged for the next 2 financial years. This means that workers earning up to \$31,920 per annum are eligible for the full amount of the Co-contribution and it gradually reduces to zero for workers earning up to \$61,920 per annum.

It is important to note that lower income workers may also be eligible for the new tax rebate on super contributions.

Other tax changes announced in the Budget

To encourage people to save more, there will be a 50% tax discount for the first \$1,000 of interest they earn on a variety of financial products including savings accounts and deposits at banks, building societies and credit unions, as well as debentures and bonds.

The Government confirmed its 2007 election promise to reduce personal tax rates in the 2010/11 financial year so from 1 July 2010:

- The 38% marginal tax rate decreases to 37%
- The 30% threshold increases from \$35,000 to \$37,000

Workers and senior Australians will benefit from an increase in tax offsets in 2010/11:

- The low income tax offset increases from \$1,350 to \$1,500 so workers eligible for the full benefit will not pay any income tax on the first \$16,000 of personal income.
- Senior Australians who are eligible for the low income tax offset and the senior Australian tax offset will pay no tax on income up to \$30,685 for singles and \$53,360 for the combined income of couples.

To eliminate the need to itemise work-related expenses on their tax return, from 1 July 2012 workers will be able to claim a standard tax deduction of \$500 per annum, rising to \$1,000 from 1 July 2013.