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2010 Budget Summary

Following is a summary of the announcements made by the Federal Government in the 2010 Budget. They have been arranged in the order in which it is proposed they will be implemented.

From 1 July 2011

50% discount on tax on interest income

Individual taxpayers will be eligible for a 50% tax discount on up to \$1,000 of interest earned on deposits held in authorised institutions, bonds, debentures and annuity products. It is also available on interest income which is earned indirectly, for example, through a trust or managed investment fund.

From 1 July 2012

Standard deduction for work-related expenses

Individual taxpayers will have the choice of claiming a \$500 standard deduction to replace their deductions for work-related expenses and the cost of managing their tax affairs. This will increase to \$1,000 from 1 July 2013. Taxpayers can choose this option or can opt to continue to claim deductible expenses as they do now. It should be noted that **this is not a refund** but a deduction to the individual's taxable income. The average amount of deductions currently claimed by individuals is \$1,920 – substantially more than the \$500 to be allowed by the government as a standard deduction.

Superannuation contributions tax rebate for low income earners

A superannuation contributions tax rebate of up to \$500 annually will be provided for low income earners. The amount payable will be calculated as a percentage of concessional contributions made by or for individuals and is based on adjusted taxable income of up to \$37,000. The rebate will be paid directly to the individual's superannuation fund once the 2013 tax return has been lodged.

Increasing concessional contribution caps

Individuals aged 50 and over with total superannuation balances below \$500,000 will be able to make up to \$50,000 in concessional contributions each year.

Small business company tax rate

The company tax rate for small business companies will reduce from 30% to 28%.

Small business instant asset write-off

Small businesses will be able to claim an immediate write-off for assets costing less than \$5,000 (currently the limit is \$1,000). They will also be able to depreciate most other assets (except buildings) in one depreciation pool at a rate of 30%.

Resource super profits tax

This tax will be payable at a rate of 40% on profits attributable to the exploitation of non-renewable resource deposits.

GST margin scheme

The margin scheme provisions will be restructured to clarify and simplify the current provisions.

GST financial supply provisions

Reforms to financial supply provisions of the GST law will include:

- allowing small businesses accounting for GST on a cash basis to claim input tax credits upfront on assets in a hire purchase arrangement
- increasing the threshold to which the financial supply provisions apply from \$50,000 to \$150,000 of input tax credits

From 1 July 2013**Superannuation guarantee (SG) contribution rate**

The SG contribution rate is to increase from the current level of 9% to 12% by 2019-20. The rate will increase in increments of 0.25% for the first two years, and 0.5% for each year after that.

Superannuation guarantee (SG) age limit

The SG age limit is to be raised from 70 to 75 making workers in that age bracket eligible for superannuation guarantee contributions. This aligns the SG age limit with the age limit for voluntary and self-employed contributions.

Company tax rate (except for small business companies)

The company tax rate will be reduced from 30% to 29%.

From 1 July 2014**Company tax rate (except for small business companies)**

The company tax rate will be reduced from 29% to 28%.

Budget announcements relating to the periods beginning 1 July 2009 and 1 July 2010 can be found in separate documents.

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