

# Avant's 2011-2012 Federal Budget Summary

..... and what it means to you



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# Superannuation and Pensions

## Reduction in minimum payments for pensions in 2011-12

proposed start date: 1 July 2011

For the last 3 financial years the government has allowed a 50% reduction in the minimum pension payments. This was put in place so that accounts could re-build after capital losses were incurred during the GFC.

Pension payments for next financial year can be reduced by only 25% and will return to normal in 2012-13.

Age	2010-11	2011-12	2012-13
to 64	2.00%	3.00%	4.00%
65 - 74	2.50%	3.75%	5.00%
75 - 79	3.00%	4.50%	6.00%
80 – 84	3.50%	5.25%	7.00%
85 – 89	4.50%	6.75%	9.00%
90 – 94	5.50%	8.25%	11.0%
95+	7.00%	10.50%	14.00%

Table 1: Minimum pension drawdown amounts

### Comments:

- It is good to see that the government is still allowing a reduced minimum amount.
- This will not only benefit many retirees but also people using a transition to retirement strategy.

## Concessional contribution cap changes

proposed start date: 1 July 2012

Concessional contributions include salary sacrifice, SG contributions from an employer and personal contributions for which you claim a tax deduction on.

Currently individuals over 50 have a cap of \$50,000 whilst individuals under 50 have a cap of \$25,000. As of 1 July 2012 the cap for everyone will be \$25,000 unless you are aged over 50 with a superannuation balance of under \$500,000.

### Comments:

- A short-sighted policy because it further limits how much people can get into the super environment.
- Consider a superannuation contributions [splitting strategy](#) with your spouse in order to maximise allowable contributions post age 50.

## Refund of excess contributions

proposed start date: 1 July 2011

Excess contributions tax is incurred when an individual exceeds their contributions cap. The penalty for breaching this cap has been severe, even when unintentional. The government will allow individuals to have any excess concessional contributions to be taken out of their superannuation and assessed as income at their marginal tax rate. This will only apply if the excess contribution is less than \$10,000 and will only apply for the first breach commencing from 1 July 2011.

### Comments:

- Even a meticulous person can be caught out; for instance if an employer pays the SG contribution a few days earlier and the July contribution hits the superannuation account in June.
- Whilst welcome, there is no relief offered for when an individual exceeds their non-concessional contributions (after tax contributions). Furthermore no relief is offered for the current financial year.

### Urgent:

- Ensure you do not exceed your concessional contributions cap. This is currently \$25,000 for people under 50 and \$50,000 for people over 50. If you are getting close to your contribution cap, review in June so that you can cease salary sacrifice if necessary.

## Superannuation co-contribution

proposed start date: 1 July 2011

Individuals who earn less than \$31,921 and contribute up to \$1,000 of after tax dollars into superannuation can get a matching contribution from the government. The government's contribution reduces for incomes over \$31,921 and phases out when an income reaches \$61,920. If you are within these income brackets you are able to calculate your potential co-contribution [here](#).

This income limits were meant to be indexed upwards, however were frozen in last year's budget and this will continue until 2012–13.

## Low income earners government contribution

proposed start date: 1 July 2012

The government will provide a contribution of up to \$500 annually into the super accounts of workers with taxable incomes up to \$37,000. This is designed to ensure no tax is imposed on SG contributions of low income workers.

# Taxation

## Medicare levy low income threshold

**proposed start date: 1 July 2010**

This threshold will be lifted to \$18,839 for individuals (up from \$18,488) and \$31,789 for couples (up from \$31,196). \$2,919 can be added for each dependent child or student (up from \$2,865).

The levy threshold for single pensioners below age pension age will increase to \$30,439 (up from \$27,697).

## Low Income Tax Offset (LITO)

**proposed start date: 1 July 2011**

LITO is available in full to individuals who earn less than \$30,000 and phases out at \$67,500. Currently individuals receive 50% of LITO upfront via a reduction in the amount of tax taken out from employers. The remaining portion is received at the end of the financial year. The government has announced that the 50% benefit received during the financial year will be increased to 70%.

The government has also announced that minors will no longer have access to LITO for non-working income. This has been proposed in order to reduce the amount of trust distributions being distributed to minors. Instead of minors being able to receive tax free distributions of \$3,333, they will now only be able to receive \$416 before the top marginal tax rate is applied.

### Comments:

- If you operate a trust then distributing to children is no longer as attractive.
- Some individuals employing a transition to retirement strategy may consider increasing their salary sacrifice in order to bring their assessable income below \$30,000. This will then maximise LITO as well as minimising the medicare levy.

## Small business instant tax 'write-offs'

**proposed start date: 1 July 2012**

Small businesses will be allowed an immediate tax write-off of the first \$5,000 of any motor vehicle purchased from 1 July 2012.

## Higher Education Contribution Scheme (HECS)

**proposed start date: 1 January 2012**

The discounts that apply to payments will be reduced. Upfront payment discounts will reduce from 20% to 10%. The bonus on voluntary payments made to the ATO of \$500 or more will reduce from 10% to 5%.

### Comments:

- Consider making voluntary payments prior to 1 January 2012.

## Motor Vehicle FBT rules

**effective from 10 May 2011**

Currently fringe benefits tax on motor vehicles is calculated on a sliding scale which benefits those who travel more kilometres. The current sliding scale will transition to a single flat rate of 20% for contracts entered into after 10 May 2011.

### Comments:

- This is designed to prevent people 'knocking out' kilometres travelled simply to help their FBT rate.
- On the whole, individuals who travel less than 15,000 kms per annum will benefit whilst those who travel over 25,000 kms will be disadvantaged. Individuals who travel between 15,000 and 20,000 should not be affected.

## Social Security / Centrelink

### Family Tax Benefit Part A

**Proposed start date: 1 January 2012**

The maximum rate of Family Tax Benefit Part A for 16 – 19 year olds will be aligned with the 13 – 15 year old rate. This represents an increase of up to \$4,208 a year for 16 and 17 year olds, and up to \$3,741 a year for 18 and 19 year olds. The increase will only be available for families where the child is in full-time secondary study, or the vocational equivalent.

From 1 July 2011 families may claim advance payments of their Part A entitlements of up to 7.5%, subject to a maximum of \$1,000.

From 1 July 2011 the Part A supplement paid to children turning 4 will be conditional on the child undergoing a pre-school health check.

From 1 January 2012 Part A will cease when a child turns 22 as opposed to the current 24 years of age.

## Work Bonus

**Proposed start date: 1 July 2011**

The first \$250 employment income per fortnight will be excluded from the pension income test. Pensioners will also be able to accrue up to \$6,500 of unused amounts of the work bonus and offset employment income in future years.

## Disability Support Payment (DSP)

**Proposed start date: 1 July 2012**

DSP recipients who have had their payments granted after 11 May 2005 will be allowed to work for up to 30 hours per week for two years and remain eligible for a part pension. This is an increase from the current 15 hours per week.

The full 2011-12 budget report is available [here](#). It consists of an overview, terms of reference, twelve chapters and appendices.

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