

2007 Federal Budget

While the 2007/08 Budget may not have changed the financial industry as obviously and as dramatically as it did last year, there are important changes that make it necessary to talk with your adviser to get the most out of your current and future financial plans. Here we go through some of the changes...

Superannuation

Tax

Small business (from 1 July 2007)

Social Security

Families

Superannuation

Co-contribution: The Government will double the co-contribution for eligible contributions made in 2005/06. For example, a person who was eligible for an \$800 co-contribution in 2005/06 will now receive a \$1600 co-contribution payment.

Business: \$125.7 million will go toward helping the ATO to reduce outstanding taxation debt and outstanding employer super guarantees. This will assist people who have monies outstanding owing to their superannuation from employers.

Tax

Changes to personal income tax:

The government has announced the following changes to tax rates effective from 1 July 2007.

Tax Rate	Current Tax Thresholds	New Tax Thresholds from 1/7/2007	New Tax Thresholds from 1/7/2008
0%	\$0 - \$6,000	\$0 - \$6,000	\$0 - \$6,000
15%	\$6,001 - \$25,000	\$6,001 - \$30,000	\$6,001 - \$30,000
30%	\$25,001 - \$75,000	\$30,001 - \$75,000	\$30,001 - \$80,000
40%	\$75,001 - \$150,000	\$75,001 - \$150,000	\$80,001 - \$180,000
45%	\$150,001 +	\$150,001 +	\$180,001 +

Other tax changes

Low Income Tax Offset (LITO): From 1 July 2007, the LITO will increase from \$600 to \$750 per year, phasing out after \$30,000 by 4 cents in the dollar to a maximum of \$48,750. Those eligible for the LITO will not pay tax until their income exceeds \$11,000 (currently \$10,000) per annum.

More tax-free earnings for seniors: Senior Australians who are eligible for the Senior Australians Tax Offset (SATO) will now pay no tax on their annual income up to \$25,867 for singles and \$43,360 for couples.

Capital Gains Tax rollover on marriage breakdown: From 1 July 2007, the CGT rollover relief will be extended to include all assets transferred in specie for one spouse from one small super fund to another.

Small Business changes (from 1 July 2007)

The GST registration threshold will be increased from \$50,000 to \$75,000.

GST requirements reduced for small businesses. This option could now be available to pay GST on an annual basis when a small business elects to register for GST. Also, from 1 July 2008, PAYG installments will only have to be lodged once a year as well to coincide with an annual GST payment.

The threshold above which businesses are required to obtain a GST invoice will be increased from \$50 (GST exclusive) to \$75 (GST exclusive) in order to claim an input tax credit for a supply.

Social Security

Bonus for carers: A one-off lump sum payment of \$1,000 will be provided to carers who receive the Carer Payment, while recipients of the Carer Allowance will receive a lump sum payment of \$600. The payment will be made to eligible carers by 30 June 2007.

Funeral Bonds: There has been an increase in the amount that can be invested in a funeral bond and still be exempt from the income and assets test. Currently, an individual can invest \$5,000 and be exempt – this will increase to \$10,000 for each person (if single) or \$10,000 per couple from 1 January 2008.

Families

Child Care Benefit: The rate of Child Care Benefit will increase by 10% on top of the normal consumer price index (CPI) increase from 1 July 2007.

Child Care Tax Offset: The Government will now pay the offset as a direct payment through the Family Assistance Office at the end of each financial year.