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Personal Taxation

Foreign employment income

The Government has announced changes to the tax treatment of foreign employment income.

Under the proposed measures, foreign employment income will generally be taxable, but taxpayers will be entitled to a tax offset for foreign tax paid on the foreign employment income.

The proposed measures will take effect from 1 July 2009

Employee share schemes

The Government has announced that all discounts on shares and options provided under an employee share scheme, whether qualifying or non-qualifying, will be assessed in the income year in which they are acquired. That is, employees will no longer be able to elect to defer taxation on their discount to a later time.

The Government will also limit access to the \$1,000 upfront tax exemption to employees with an adjusted taxable income of less than \$60,000.

These measures will apply to shares and options acquired after 7.30 pm AEST on 12 May 2009.

Private health insurance rebate

The Government announced that high income earners will receive a reduction in their private health insurance rebate and face an increase in Medicare levy surcharge

should they opt out of their health cover.

From 1 July 2010, the Government will introduce three new 'Private Health Insurance Tiers' for high income earners:

- **Tier 1:** for singles earning more than \$75,001 (couples/families \$150,001), the rebate will be 20% for those up to 65 years (25% for those over 65, and 30% for those over 70 years). The Medicare levy surcharge for avoiding private health insurance will remain at 1%.
- **Tier 2:** for singles earning more than \$90,001 (couples/families \$180,001), the rebate will be 10%, for those up to 65 years (15% for those over 65, and 20% for those over 70 years). The surcharge for avoiding private health insurance will be increased to 1.25%.
- **Tier 3:** for singles earning more than \$120,001 (couples/families \$240,001), no rebate will be provided. The surcharge for avoiding private health insurance will be increased to 1.5%.

Low and middle-income earners are not affected by the proposed changes.

Seniors Health Card

The Government said that it will not include gross income from superannuation income streams from a taxed source when determining an individual's eligibility for the Commonwealth Seniors Health Card, a measure which was due to come into effect on 1 July 2009.

However, the Government will proceed to include income that is salary sacrificed to superannuation in the income assessment, which will take effect from 1 July 2009.

Medicare levy low-income thresholds

The Government has released the Medicare levy low-income thresholds for the 2008/09 income year. The threshold will increase for singles to \$17,794 and to \$30,025 for individuals who are members of a family.

The additional amount of threshold for each dependent child or student will also be increased to \$2,757.

The Medicare levy low-income threshold for pensioners below Age Pension age will also be increased from 1 July 2008 to \$25,299.

Seniors Supplement for self-funded retirees

The Government will provide a Seniors Supplement from 20 September 2009.

The Supplement will be available to self-funded retirees who are eligible for the Commonwealth Seniors Health Card or the Department of Veterans' Affairs Gold Card with current Seniors Concession Allowance. It incorporates existing payments of Seniors Concession Allowance and the higher rate of Telephone Allowance.

The Seniors Supplement will be \$790.40 a year for singles and \$1,190.80 a year for couples combined. Payments will be made quarterly.

Business Taxation

Small Business and General Business Tax Break

The Government has announced the one-off bonus tax deduction available to small businesses under the Small Business and General Business Tax Break will increase to 50%, where a small business acquires an eligible asset between 13 December 2008 and 31 December 2009, and the asset is installed or ready for use by 31 December 2010.

Repeal of unlimited amendment periods

The Government announced that it will repeal certain provisions in the income tax laws that currently provide the Commissioner with an unlimited period in which to amend an item in a taxpayer's income tax return.

The Government stated that the amendments will take effect from the date of Royal Assent of the relevant enabling legislation.

Assets and deemed dividend rules

The Government will extend the deemed dividend rules to payments by way of a licence or right to use real property and chattels, such as cars, boats and real estate.

This measure will reduce the opportunities for private companies to allow their shareholders or associates to use company assets for free, or at less than their arm's length value, without paying tax.

It is proposed this measure will apply from the 2009/10 income year.

Use of non-commercial losses restricted

The Government will tighten the application of the rules on the use of

non-commercial losses to prevent high-income individuals from offsetting excess deductions from non-commercial business activities against salary and other income.

From 1 July 2009, taxpayers with an adjusted taxable income of over \$250,000 will only be able to deduct expenses from non-commercial business activities against the income from those activities. Any excess deductions will be quarantined to the business activity.

Taxpayers will still be able to apply to the Commissioner for relief from the rules if there are exceptional circumstances, or because the nature of the activities means that a taxpayer is temporarily carrying on an uncommercial business but the activities they are undertaking are nonetheless independently assessed as commercially viable.

Superannuation Measures

Changes to concessional contributions cap

The Government will cut the superannuation concessional contributions cap to \$25,000 per annum (down from \$50,000 per annum) from 1 July 2009.

The transitional concessional contributions cap, which applies until the 2011/12 income year, for individuals aged 50 to 74, will be reduced to \$50,000 per annum (down from \$100,000 per annum).

From 1 July 2012, the concessional contributions cap for those aged 50 and over will revert to the lower \$25,000 cap (or applicable indexed amount at that time).

The Government has not amended the non-concessional contributions cap.

Superannuation co-contribution

The Government has announced that it will temporarily reduce the superannuation government co-contribution matching rate that is payable on eligible personal superannuation contributions, with effect from 1 July 2009.

The temporary matching rates as proposed are:

- for the 2009/10, 2010/11 and 2011/12 income years, \$1 for each dollar of contribution, up to a maximum of \$1,000 per annum;
- for the 2012/13 and 2013/14 income years, the rate is \$1.25 for each dollar of contribution, up to a maximum of \$1,250 per annum; and
- for 2014/15 and later income years, the rate is \$1.50 for each dollar of contribution, up to a maximum of \$1,500 per annum.

Reduction in pension drawdown

The Government will extend its decision to reduce by 50% the minimum annual payment amounts for account-based pensions for the 2009/10 income year. That is, self-funded retirees will only have to draw down half of the minimum amounts from their account-based pensions for 2009/10.

Other Measures

Increase in ASIC fees

In the 2009/10 Federal Budget, the Government stated that it will index fees and charges collected by the Australian Securities and Investments Commission (ASIC) to the Consumer Price Index from the 2010/11 income year

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