

Personal Taxation

Income tax rates

The Government has reaffirmed its commitment to cutting personal income tax rates. The tax rates and thresholds for the 2008/09 and 2009/10 income years are as follows:

2007/08 Current	
Income (\$)	Rate (%)
6,001–30,000	15
30,001–75,000	30
75,001–150,000	40
150,001+	45

2008/09 From 1 July 2008	
Income (\$)	Rate (%)
6,001–34,000	15
34,001–80,000	30
80,001–180,000	40
180,001+	45

2009/10 From 1 July 2009	
Income (\$)	Rate (%)
6,001–35,000	15
35,001–80,000	30
80,001–180,000	38
180,001+	45

Medicare levy low income threshold

From the 2007/08 income year, the Medicare levy low income thresholds have increased, as follows:

	2006/07 income year (\$)	2007/08 income year (\$)
Singles	16,740	17,309
Families	28,247	29,207
Threshold increment for each dependent child or student	2,594	2,682
Pensioners below Age Pension age	21,637	22,922

Medicare levy surcharge

The Government has announced that the 1% Medicare levy surcharge for singles will increase from \$50,000 to \$100,000, and for families, from \$100,000 to \$150,000, with effect from 1 July 2008.

Employee share schemes

Election required

The Government has announced that a taxpayer will be required to make an election to access the tax concessions available when receiving qualifying shares or rights under an employee share scheme. No further details were provided.

Removal of double taxation

The Government has announced that it will remove double taxation that arises in relation to certain employee share schemes (ESS) that use employee share trusts.

Entrepreneurs' tax offset

The Government will introduce a family income test for the entrepreneurs' tax offset. The test will limit access to the offset by restricting eligibility when the adjusted taxable income (ATI) per

year exceeds the amounts given below:

Taxpayer	Maximum ATI (\$)	Date of effect
Singles	75,000	1 July 2008
Families	120,000	1 July 2008

Income test for benefits

The Government has announced that it will introduce an income test for the following benefits:

Offset	Maximum income threshold (\$)	Date of effect
Dependent spouse	150,000	1 July 2008
Housekeeper	150,000	1 July 2008
Child- housekeeper	150,000	1 July 2008
Invalid relative	150,000	1 July 2008
Parent/parent- in-law offset	150,000	1 July 2008

Family Tax Benefit Part B

From 1 July 2008, FTB Part B will only be available to families where the annual adjusted taxable income of the principal earner does not exceed \$150,000.

Furthermore, FTB will only be delivered through Centrelink and Medicare, thereby removing claims through the tax system.

Child Care Tax Rebate

The Government has confirmed that the Child Care Tax Rebate will increase from 30% to 50%.

The cap on the amount that can be paid will be lifted from \$4,354 to \$7,500 per child. In addition, the rebate will be paid quarterly.

Education Tax Refund

The Government has confirmed it will provide eligible parents with an Education Tax Refund from 1 July 2008.

Baby Bonus

From 1 July 2008, the Baby Bonus will be increased to \$5,000. In addition, from 1 January 2009, the Baby Bonus will be paid in fortnightly instalments and will only be available where family income does not exceed \$150,000 a year.

Measures for carers

The following measures to support carers were announced in the 2008/09 Federal Budget:

- Carer Allowance recipients will receive a \$600 tax-free bonus for each eligible care receiver;
- Recipients of Carer Payments and Department of Veterans' Affairs Carer Service Pensions will each receive \$1,000 tax-free. Carer Allowance recipients who receive a Wife Pension or the Department of Veterans' Affairs Partner Service Pensions will also receive \$1,000;
- Eligible carers looking after children with a profound disability will have fairer and simpler access to financial support of up to \$546.80 per fortnight; and
- Disabled children whose ageing parents can no longer care for them at home will be provided with additional supported accommodation.

Bonus payments are expected to be automatically made before the end of June 2008. Those receiving both payments on 13 May 2008 will receive both lump sum payments.

Expanded definition of income

Income eligibility for Government support programs, including the Age Pension and superannuation co-contributions, will include certain "salary sacrificed"

contributions to superannuation, effective from 1 July 2009.

Net financial investment losses and net rental property losses will be included in determining the eligibility for certain government support programs, including senior Australians tax offset, Medicare levy surcharge and dependency tax offsets, effective from 1 July 2009.

From 1 July 2009, reportable fringe benefits will be included when determining the eligibility for certain tax offsets, including dependency tax offsets, senior Australians tax offsets and pensioner tax offsets.

Business Taxation

Luxury car tax

The Government has announced that the Luxury Car Tax (LCT) will increase from 25% to 33% with effect from 1 July 2008. However, the Government has stated that the luxury car limit will remain at \$57,123.

FBT

Jointly held investment assets

The Government has announced that the FBT law will be amended to ensure it applies appropriately where an employer provides an employee and their associate with a fringe benefit in relation to a jointly held investment asset

The measure will take effect from 7.30 pm (AEST) on 13 May 2008 with respect to new arrangements.

Work-related items

The government has announced that the FBT exemption for work-related items will only apply if the items are used primarily for work purposes and be limited to one item of each type per employee per FBT year, unless they are replacement items.

The list of FBT-exempt work-related items will be extended to all work-related portable electronic devices, including those with

multiple functions. The government has also announced that the tax law will be amended to disallow employees from claiming depreciation for the work-related percentage of FBT-exempt items.

The changes to the FBT exemption for work-related items will apply to items purchased after 7.30 pm (AEST) on 13 May 2008.

The changes that disallow depreciation for FBT-exempt items will take effect as follows:

- for items purchased after 7.30 pm (AEST) on 13 May 2008, this measure will take effect from that time;
- for items purchased before 7.30 pm (AEST) on 13 May 2008, employees will be denied depreciation for the 2008-09 and later income years.

Superannuation

The 2008/09 Federal Budget did not announce any substantive changes concerning superannuation. There are no changes to the current superannuation regime.

Other Budget Measures

Family trusts

The Government has confirmed that the following changes to family trusts, which were introduced by the previous Government, will be rolled back to revert to the following situations:

- the definition of "family" in the family trust election rules will be changed to limit lineal descendants to children or grandchildren of the test individual or of the test individual's spouse. This will take effect from 1 July 2008; and
- family trusts will be precluded from making a once-off variation to the test individual specified in a family trust election. This will take effect from the 2007/08 income year.

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