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CLIENT NEWSLETTER

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2008/ 2009 Budget Summary

The following is an extract from the Federal Budget 2008-09 summary prepared by the Institute of Chartered Accountants in Australia as published on their website – <http://www.charteredaccountants.com.au/>

Last night, Treasurer the Hon Wayne Swan delivered the Rudd Government's first budget.

The Federal Budget handed down yesterday contained a package of tax relief measures designed to help families with education, child care and other living expenses, while means testing a range of benefits. As anticipated, the government's first Budget also initiated a broad review of the tax system.

Here are the highlights.

- The government has announced the terms for reference of the comprehensive review of Australia's tax system.
- A 50 per cent education tax refund will be available for eligible education expenses from 1 July 2008.
- The child care tax rebate for out-of-pocket child care expenses will increase from 30% to 50% from 1 July 2008, with the maximum out-of-pocket expenses claimable increasing from \$4,354 to \$7,500 per child per year.
- Medicare levy surcharge thresholds and low-income thresholds will be increased.
- Previously announced personal income tax cuts will go ahead.
- From 1 July 2008, an income threshold of \$150,000 will apply to dependency tax offsets.

- The government has tightened the rules for a number of fringe benefits provided after 7.30pm on 13 May 2008.
- The definition of "income" will be expanded for the purposes of determining eligibility for government support.
- Changes will be made to the election requirements of the employee share scheme provisions.
- Double taxation that arises in relation to certain employee share schemes that use employee share trusts will be removed.
- The government will proceed with Taxation of Financial Arrangements (TOFA) Stages 3 and 4.
- The proposed first home saver accounts scheme has been modified to allow individuals to contribute up to \$75,000 into their first home saver account.
- The scope for family trusts to utilise tax losses to lower income tax will be reduced.
- The entrepreneurs' tax offset will be subject to an income test from 1 July 2008.
- The level of withholding tax on certain distributions from Australian managed investment trusts to foreign resident investors will be reduced.
- From 1 July 2008, the luxury car tax rate will increase from 25% to 33%.
- From 1 July 2008, the Baby Bonus will increase from \$4,258 to \$5,000 and from 1 January 2009, eligibility for the Baby Bonus will be limited to families with an adjusted taxable income of \$150,000.
- Eligibility for Family Tax Benefit Part B will be limited to families whose primary income earner earns \$150,000 or less a year.
- In-house computer software to be depreciated over 4 years.
- From the 2006/07 income year, capital gains or losses arising from the cancellation or surrender of shares or units in widely held entities are to be calculated using the actual proceeds received.
- The CGT scrip for scrip rollover provisions will be modified with effect from 7.30pm on 13 May 2008.
- The government announced its plans in relation to several previously announced GST measures.
- Private ruling applicants to pay ATO for valuations.
- The benchmark interest rate applicable for capital protected loans entered into from 7.30pm on 13 May 2008 will be the Reserve Bank of Australia's indicator variable rate for standard housing loans.
- The government will modify the eligible investment business rules for managed funds.

- The government has deferred until 1 July 2009 the measure to align PAYG instalments, GST payment and reporting requirements for taxpayers who are voluntarily registered for GST.
- New rules will be introduced to regulate the operation of prescribed private funds.
- The carer adjustment payment will be tax-exempt from 1 July 2008.
- The Commonwealth senior's health card income test will now apply to certain superannuation stream income and salary sacrificed amounts.
- A tax-exempt one-off bonus payment of \$500 will be provided to older Australians.
- An annual incentive of \$6,000 will be provided to institutional investors constructing affordable rental properties.
- Rent assistance payable to Austudy recipients from 1 January 2008 will be exempt from income tax.
- The Tax Office will establish a superannuation clearing house to assist businesses with meeting choice of superannuation requirements.
- From 1 July 2008, an income tax exemption of up to \$1,000 will apply to apprentices who receive early completion bonuses in skill shortage occupations from the Queensland government.
- Income tax, customs duty, GST and other Australian government tax relief will be provided to the Secretariat for the Agreement on the Conservation of Albatrosses and Petrels and the Secretariat's non-Australian staff.

A comprehensive summary of the tax measures announced in Federal Budget 2008 has been prepared by CCH in partnership with the Institute's Tax Team and can be [viewed here](#).

Copies of the budget papers are available at [The 2008-09 Commonwealth Budget](#)

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