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Business Plus+ Federal Budget 2010

INDEX

Federal Budget 2010 Issues for SMEs.....	1
Key 2010 Federal Budget Outcomes.....	1
Key Numbers At A Glance.....	2
Risks in the Budget Strategy.....	2
Superannuation.....	2
Budget Initiatives Appealing to SMEs.....	3
Tax Planning 2010.....	3
2011/12.....	4
2012/13.....	4
2013/14.....	4
2014/15.....	4
End of Year Tax Planning 2010.....	4

Federal Budget 2010 Issues For SMEs

The Federal Treasurer, Mr Wayne Swan, presented the Rudd Government's budget on 11th May 2010. The Treasurer indicated the budget was a "no frills budget - to put Australia back in surplus in 2 years". This special edition of Business Plus+ incorporates a summary of matters within the Federal Budget, the Henry Review and other initiatives that have commenced in 2010 that may affect SME operators. Other than those items which have already commenced in 2010, none of the items contained within the budget, nor the Henry Review, will become law until the budget has been passed by the House of Representatives and the Senate, and signed by the Executive Council.

Key 2010 Federal Budget Outcomes

The Government has introduced the third tranche of its earlier commitment for reductions in personal income tax rates from 1 July 2010. Personal income tax rates, which apply for the 2010/11 financial year, are:

Taxable Income (\$)	Tax Rate (%)
0 - 6000	0
6001 - 37,000	15c for each \$1 over \$6,001
37,001 - 80,000	\$4,650 plus 30c for each \$1 over \$37,001
80,001 - 180,000	\$17,550 plus 37c for each \$1 over \$80,001
180,001+	\$54,550 plus 45c for each \$1 over \$180,001

In addition, there is a Medicare Levy payable of 1.5% plus a Medicare Levy Surcharge may apply.

- There is no change to the corporate tax rate in 2010/11 - continues at 30% (however, changes are planned for small business from 2012/13).
- Superannuation Contribution Tax continues at 15%
- Superannuation Funds Tax - continues at 15%



DO YOU WANT MORE INFORMATION?

**We have a special paper available - Paper 28.01 - "Federal Budget 2010 Issues For SMEs".
If you would like to receive a copy of this, could you please contact us?**

Key Numbers At A Glance

	Forecasts for 2010/11	Projection 2011/12	Projections 2012/13	Projections 2013/14
GDP Growth	3.25%	4%	3%	3%
Inflation	2.5%	2.5%	2.5%	2.5%
Unemployment Rate	5%	4.75%	5%	5%
Forecast Deficit/Surplus	\$40.8B	\$13B	\$1B surplus	\$5.4B surplus
Net Debt	\$160B (11.4% of GDP)			
Business Investment	7.5%	4%		
Household Consumption	3.5%	4%		

The Federal Government's resources super profit tax is expected to contribute \$12B over 4 years.

Risks In The Budget Strategy

The budget has been prepared in uncertain times. Matters which could affect the budget outcomes include:

- The turmoil in Greece, particularly if this spreads to other European countries.
- The expectation that commodity exports from Australia to China and other Asian countries will continue to rise.
- The Government has made a big punt on the continuation of the resources boom.
- The budget expectation is that interest rates will continue to rise.
- The budget is assuming a 7.5% increase in dwellings.
- There are considerable concerns that the resources super profit tax, which is to be determined on a project by project basis, will affect SME operators who may be caught up in resource companies scaling back exploration, repairs and maintenance, capital expenditure and research and development.



Superannuation

The superannuation contribution levels are:

Taxpayers Aged	2009/10	2010/11	2011/12
50 and over	\$50,000	\$50,000	\$50,000
under 50	\$25,000	\$25,000	\$25,000

- The Government has announced, as part of the Henry Review announcements, changes to the superannuation contribution levels.
- From the 1st July 2012 a taxpayer aged over 50, who has a superannuation fund balance of less than \$500,000, can contribute \$50,000 per annum to superannuation.
- The Government has announced, following the release of the Henry Review that the superannuation guarantee contributions will increase from 9% to 12% of employees' wages and salaries from 2013/14 to 2019/20.

The increase in 2013/14 will be 0.25%; in 2014/15 another 0.25% and will continue to increase 0.5% in each subsequent year until 2019/20 when the superannuation guarantee will have reached 12%.

Budget Initiatives Appealing To SMEs

There are no major tax changes in respect of the 2010/11 year as it affects SMEs.

A summary of the matters included in the Budget, Henry Review and Government Initiatives, which have already started in 2010, include:

Medical Expenses Offset Threshold

The threshold of \$1,500, applicable under the medical expenses rebate rules, will be increased to \$2,000 from 1 July 2010 and then indexed annually.



Research And Development

The Government has indicated that the new Research and Development Tax Credit Scheme will commence from the 1 July 2010. The legislation (which has yet to be passed by the Senate) will provide for a rebate for eligible R & D expenditure at 45% of the R & D expenditure for companies with turnovers under \$20M and at a rate of 40% for companies with turnovers over \$20M.

Small Business

Small businesses that account for GST on a cash basis will be allowed to claim input tax credits upfront in relation to Hire Purchase Agreements.

Commercialisation Australia Grant Programme

Commercialisation Australia Grant Programme for businesses that have developed new products, processes or services that meet the merit criteria have grants available for:

- Skills and Knowledge
- Experienced Executive
- Proof of Concept
- Early Stage Commercialisation Repayable Grants

Skills Development

The Government has budgeted \$660M, over the next four years, for training apprentices and adults.

Health

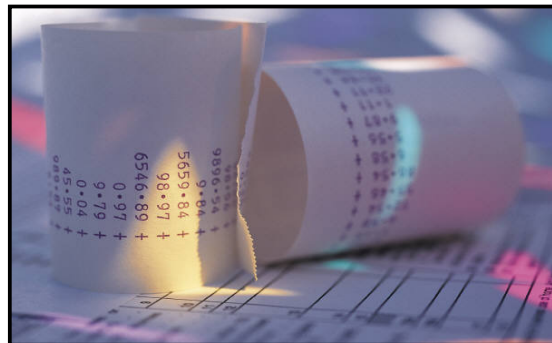
The Government has allocated an extra \$2.2B for improved access to General Practitioners and money for more nurses, plus an extra \$467M for an E-Health system.

Small Medium Enterprises (SMEs)

Small Medium Enterprises (SMEs) could be affected by the impact of the resources super profit tax for the resources industries. **Refer to Paper 28.01 - "Federal Budget 2010 Issues For SMEs"...**

Tax Planning 2010

If you would like to discuss any aspect of the 2010 Federal Budget as it might affect your business, please do not hesitate to contact us. If you would like a copy of the paper on Federal Budget 2010 Issues For SMEs, please contact us



2011/12

Personal Savings Tax Discount

Personal savings will be encouraged by way of a 50% discount in tax payable on the first \$1,000 of interest earned. This will apply to interest earned from the 1st July 2011 on deposits held in banks, building societies and credit unions, and on bonds, debentures and annuity products.

2012/13

Standard Deduction To Reduce Compliance Burden

A standard deduction of \$500 for the 2012/13 income year will be made optional in lieu of employment deductions and tax agents fees. This deduction increases to \$1,000 for the 2013/14 income year.

Corporate Tax Rate

The corporate tax rate applying to small business companies (turnover under \$2M) will reduce to 28% in 2012/13.



Asset Write Off

Immediate write off (100%) of assets costing less than \$5,000 for small businesses.

2013/14

Corporate Tax Rate For Companies With Turnovers Over \$2M

Will reduce to 29% in 2013/14.

2014/15

Corporate Tax Rate For Companies With Turnovers Over \$2M

Will reduce to 28% in 2014/15.

End of Year Tax Planning 2010

Our annual End Of Year Tax Planning paper for 2010 will be available next week. If you would like to receive a copy of this paper please contact us.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.



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