

Tax Flash

March 2009

Temporary Investment Allowance

A 10% Temporary Investment allowance was announced by the Federal Government on 12 December 2008. On 3 February 2009 this allowance was increased to 30% and some of the eligibility conditions relaxed. At this stage we do not have the full details of the concession as the legislation has not been released.

Please note that the 30% Temporary Investment Allowance is an additional deduction on top of the normal depreciation claim.

Below we have summarised some of the details we do have in the Government's press releases.

Types of eligible assets

- The allowance can be claimed for spending on new tangible assets and new expenditure on existing assets but does not include the acquisition of second hand assets.
- The press release indicates that new motor vehicles are eligible for the allowance but it also appears that the eligible cost would be confined to the luxury car limit.
- The assets must be used in Australia in carrying on a business for which a depreciation deduction is available under subdivision 40B.
- It excludes capital works, such as land and buildings, trading stock, and intangible assets and rights. It appears software will not be eligible.
- We have been informed by Treasury that the assets that are depreciated under the small business pooling method instead of under subdivision 40B will be eligible (provided all other conditions are met).
- At this stage legislation indicates that assets which are used predominantly for business use will be apportioned for their business use, as this is only in draft stage this could change.

Tax deduction increased from 10% to 30% on assets ordered by 30 June 2009

The investment allowance rate was originally announced to be 10%. This has been increased to 30% for assets that are acquired, or construction commenced after 12 December 2008 and before 1 July 2009 and installed by 30 June 2010.

10% investment allowance extended to 31 December 2009

In the original announcement the cut off for acquiring or commencing construction of assets for the investment allowance was 30 June 2009 (and installed ready for use by 30 June 2010). This has been extended to 31 December 2009 (and installed ready for use by 31 December 2010) but the rate of investment allowance for assets acquired or commenced construction between 1 July 2009 and 31 December 2009 will remain at 10%.

Small business asset threshold decreased from \$10,000 to \$1,000

To be eligible for the investment allowance as previously announced, assets had to have a value of over \$10,000. The press release says this has been relaxed to \$1,000 or more per asset for small businesses that have an annual turnover of \$2million or less. For other businesses the threshold remains at over \$10,000 per asset.

Acquisition Date

The press releases refer to the assets having to be acquired by either 30 June 2009 (30% rate) or 31 December 2009 (10% rate) but we understand that where an asset is acquired under a contract, the date of entering into the contract must be before these dates. This will usually be the date the asset is ordered but you need to look at all the conditions of the order/contract to be certain.

One-off Cash Bonus for Eligible Australians

In response to the continuing global financial crisis, the Government has announced a new \$12.7 billion stimulus package to assist households and support economic growth. Under the package, there are five key one-off cash payments. Some people will be eligible for more than one of these cash bonuses.

The Bill has passed through Parliament, with some changes in the Senate. The framework of the Bill is summarised below:

Tax Bonus payment

A lump payment of up to \$900 to certain Australian resident individuals who paid tax in the 2007-08 financial year. To qualify recipients must be residents for tax purposes during the 2007-08 year and they must have a net tax liability on their 2007-08 notice of assessment after taking into account rebates and offsets but not PAYG withholding.

Single income family payment

A one-off payment of \$900 to families who rely on one main income earner. This includes certain sole parent families and certain two parent families where one parent has low income. Families eligible for Family Tax Benefit Part B on 3 February 2009 will receive the payment.

Back to school payment

A payment of \$950 per school aged child (4 to 18 years) will be paid to families entitled to the Family Tax Benefit Part A at 3 February 2009. The payment consists of two categories:

Category 1

The payment will be paid to people eligible, at 3 February 2009 for Youth Allowance (student and apprentices), Austudy, ABSTUDY, Payments under Veterans' Children Education Scheme (VCES), Payments under the Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS); or Families entitled to Family Tax Benefit Part A for each eligible dependent full-time student aged 21 to 24 years, (on the date of announcement) or who were subsequently determined to be entitled to receive Family Tax Benefit Part A on the date of announcement.

The one-off payment will also be available to recipients of Sickness Allowance and Special Benefit (under Age Pension age).

Category 2

From 1 January 2009 until 30 January 2010 recipients of the Education Entry Payment will receive an additional payment on top of the \$208 they would have received. Eligibility to Education Entry Payment will be extended to Youth Allowance (other) recipients and the qualifying period for all eligible recipients will be reduced from 12 to 1 month.

Farmer's hardship payment

A lump sum payment to farmers and certain small business operators who are dependent on income from agriculture who on 3 February 2009 are in receipt of:

- Exceptional circumstances relief payments for farmers
- Interim income support for farmers
- Exceptional circumstances relief payments for small business
- Transitional income support
- Farm help income support

Government Announcements on Superannuation

Pension Drawdown Relief for Retirees

It is currently a requirement that minimum payments be made from a superannuation account based pension at least annually. Minimum payments are determined by age and the value of the account balance as at 1 July each year. The minimum annual payment rule is designed so that retirees draw down on their superannuation capital over their retirement. This rule recognises that superannuation is designed as a retirement savings vehicle with substantial tax concessions.

Treasurer Wayne Swan and Senator Nick Sherry, Minister for Superannuation and Corporate Law, have announced relief from minimum account-based pension drawdown requirements.

This announcement responds to concerns that meeting the minimum draw down amount in the 2008-09 financial year will mean having to sell investment assets and realise losses in a depressed market.

Accordingly, the Government will suspend the minimum drawdown requirement for account based pensions for the second half of the financial year, effectively resulting in a 50% minimum drawdown for the 2008-2009 financial year.

Pension Drawdown Relief for Retirees (cont'd)

The temporary relief also addresses the concern that the minimum drawdown requirement is based on asset values as at 30 June 2008, when equity values were higher.

For people who have already taken half of the current minimum payment for 2008-2009, the annual nature of the minimum payment rules means that a further payment will not be required until the 2009-10 year.

The temporary suspension of the minimum payment requirement will apply to:

- Account based annuities and pensions (payable since 1 July 2007);
- Allocated annuities and pensions (pre-dating the Better Super changes); and
- Market linked (term allocated) annuities and pensions.

Super Access for Disaster Victims

Insurance

Super fund members who have been affected by natural disasters may, depending on their circumstances, be able to claim either Death or Total and Permanent Disablement (TPD) insurance attached to their superannuation. Claims should be made directly to your super fund.

Early Access

Usually, superannuation savings cannot be accessed before an individual is at least 55 years old. However, under limited, prescribed circumstances, the law allows early access. This includes applications under "severe financial hardship" provisions. Such applications must be made directly to your super fund and strict conditions for this early release must be met.

APRA separately administers applications for early release of superannuation on prescribed "compassionate grounds". These grounds include mortgage assistance in the case of threat of foreclosure, certain medical expenses, modifications to a home or vehicle in the case of severe disability and expenses associated with a dependent's death or funeral.

APRA has been asked to prioritise any access requests arising from an area where the Natural Disaster Relief and Recovery arrangements apply. This will include Victorian bushfire-related and Queensland flood-related applications for early access to superannuation on specified "compassionate grounds".

It is important to note that all early access cases are assessed on objective criteria subject to the law and the trust deed rules.

An Important Message

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