

InScope

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Election 2010 issue

The re-election of the Australian Labor Party (ALP) will have a number of consequences for investors and retirees. In this issue of InScope, we focus on the initiatives that formed part of the ALP's election and policy platform and that may become law in the near future.

The following is a summary of the main initiatives that may affect investors. However it should be noted that the election of a minority Labor Government may result in some or all these announcements being modified or abandoned.

Taxation

Small business

The re-elected Labor government will allow small businesses to instantly write off assets costing up to \$5,000 from 1 July 2012. In addition small businesses will receive a company tax rate cut to 29% from 1 July 2012, a year earlier than large companies. These measures were previously announced in the government's response to the Henry Tax Review.

Family Tax Benefits

Eligible families will be entitled to the following from 1 July 2011:

- \$500 upfront payment of the baby bonus.
- Arrangements for the advance payment of Family Tax Benefit will be simplified and made more flexible, with an overall maximum advance payment of up to \$1,000.

Child Care Rebate

The Government will give families the option to receive Child Care Rebate (CCR) payments fortnightly from 1 July 2011. Families will also be able to choose whether or not they have their CCR paid directly to their child care service and receive an immediate fortnightly fee reduction, or whether they continue to receive the CCR directly.

Families who wish to continue to receiving the rebate quarterly will be able to do so.

Mining tax

Labor has formed a Policy Transition Group (PTG) to consult with industry and provide advice on the implementation of the resource taxation reforms. The PTG will commence its work now that Labor has been re-elected.

Superannuation

Response to Cooper Review on superannuation

The government will work closely with the superannuation industry and employers to improve the administration of the superannuation system.

A full response to the Cooper Review will be released by the government by the end of 2010, following further industry consultation; however, comments have been made in relation to other aspects of the Cooper Review, outlined below.

MySuper

From 1 July 2013 the government will allow super funds to offer a simple, low-cost superannuation product called 'MySuper'. MySuper product providers will be required to meet certain standards.

Tax file number to be primary identifier for super accounts

The government will introduce legislation to ensure that from 1 July 2011, the tax file number would be the primary identifier used to locate lost super accounts, consolidate super funds and to switch super accounts.

Securing superannuation

Labor will consult with industry on the implementation of the following measures:

- Employers to report actual Super Guarantee (SG) and salary sacrifice contributions on payslips.
- Funds to notify members and employers on a quarterly basis if regular contributions cease to be made.
- Enhance the enforcement powers of the Australian Tax Office (ATO) and Fair Work Ombudsman to ensure businesses pay their employees SG contributions.

Confirmation of response to Henry Tax Review

The Government has confirmed its position on the Henry Tax Review as follows:

- Increasing the superannuation guarantee to 12 per cent. The government will also extend the superannuation guarantee to cover older workers up to age 75.
- Providing a new concession worth up to \$500 for low income earners.
- Doubling the contributions cap to \$50,000 from 2012-13 for people aged over 50 with super balances under \$500,000.

Self-Managed Superannuation Funds (SMSFs) investments

The government will allow SMSFs to continue to invest in collectables and personal use assets provided they are held according to new legislative standards. These standards will require these assets be stored according to new rules to prevent them from giving rise to a personal benefit. Existing assets that do not adhere to these rules will need to be sold within five years.

Social Security**Work Bonus for pensioners**

The Government will introduce improvements to the age pension Work Bonus:

- The Work Bonus will disregard every dollar of income up to \$250 a fortnight, rather than the 50 cents in the first \$500 arrangement that currently exists.
- Pensioners will also be able to build up any unused amount of their \$250 bonus every fortnight for up to 12 months, up to a maximum \$6,500. A pensioner could then earn up to \$6,500 a year extra, through part-time or seasonal work, without it affecting their pension.

Greater protection on reverse mortgages

Through reforms to banking regulation and credit laws, the Government will:

- Extend protection for reverse mortgages and home reversion schemes, including greater disclosure of the features and fees on these products.
- Introduce a statutory protection against negative equity so consumers aren't left with a debt significantly greater than the value of their property.

Veterans' affairs**Out of pocket medical expenses**

The government will provide eligible veterans with a reimbursement for out-of-pocket pharmaceutical costs incurred from 1 January 2012. Reimbursement amounts will be calculated automatically and paid annually, with the first payment being made in early 2013 to reimburse out-of-pocket expenses for the 2012 calendar year. Eligible veterans do not need to make a claim. Reimbursements will not affect pension payments.

Workers' entitlements**The Fair Entitlements Guarantee**

The Fair Entitlements Guarantee will protect redundancy pay, up to a maximum of four weeks for each year of service. This will replace the existing General Employee Entitlements and Redundancy Scheme (GEERS), which provides for a maximum of 16 weeks redundancy pay.

Strengthening Corporate and Taxation Law

The Australian Securities and Investments Commission (ASIC) will be given increased powers and strengthened penalties to take action against companies that do the wrong thing. Reforms will be introduced that target 'phoenix' company arrangements.

It's important to be aware of any potential impact on your financial plan. While these initiatives are proposed, they may become legislated in the near future. Speak to us about the best time to review your plan.

Important information

This general advice has been prepared without taking into account your particular financial needs, circumstances or objectives. This advice is based on Financial Wisdom Limited's understanding of the tax and superannuation policies as announced by the ALP prior to the election. It is not known when the policies, or parts of them, will be legislated and, if they are, in what form. While every effort has been made to ensure the accuracy of the information, it is not guaranteed. You should obtain professional advice before acting on the information contained in this publication.

Taxation considerations are general and based on present taxation laws, rulings and their interpretation as at 8 September 2010. You should seek independent professional tax advice before making any decision based on this information.

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