

BENEATH THE SURFACE: BUDGET 04/05 SNAPSHOT!

PERSONAL TAX CUTS

- The Government will raise the threshold at which the 42 per cent personal tax rate cuts in from \$52,001 to \$58,001 from 1 July 2004, and to \$63,001 a year later.
- The income level for the 47 per cent threshold will be raised from \$62,501 to \$70,001 from 1 July 2004, and to \$80,001 a year later.

Current tax threshold Income range (\$)	New tax threshold from 1 July 2004(\$)	New tax threshold from 1 July 2005(\$)	Tax rate %
0 - 6,000	0-6,000	0-6,000	0
6,001-21,600	6,001-21,600	6,001-21,600	17
21,601-52,000	21,601-58,000	21,601-63,000	30
52,001-62,500	58,001-70,000	63,001-80,000	42
62,501+	70,000+	80,001+	47

FAMILY MATTERS

- The Family Tax Benefit (FTB) (A) will be increased by \$600 to \$1695 per child, with the additional amount paid at the end of each financial year, starting in the current 2003-04 financial year. The income test for this benefit will be eased.
- The income test threshold for Family Tax Benefit (B) will increase, so a second earner in a family can earn \$4,000 a year (up from \$1,825) before the benefit is reduced. Mothers returning to work after the birth of a child will benefit from the quarantining of FTB (B) payments. This means that the income they earn after returning to work will not affect FTB (B) received earlier in that year.
- The Government will introduce a new universal Maternity Payment, incorporating the existing Maternity Allowance and Baby Bonus. The payment is \$3,000 for each new born child from 1 July 2004, rising to \$4,000 from 1 July 2006 and to \$5,000 from 1 July 2008. The baby bonus is still available for births prior to 1 July 2004.

GST CHANGES

- Small businesses and non-profit organisations, that are not required, but voluntarily register for the GST, will be allowed to report and pay GST annually instead of quarterly. Others will remain with quarterly reporting.
- Those with an annual turnover of \$2 million or less will be allowed to apportion annually the private and business use of assets, such as cars, instead of quarterly or monthly.
- Taxpayers wishing to continue with the GST instalment option will no longer be required to "re-elect" this choice each year. **Please note** that we continue to recommend the "actual" method for calculating GST so that there are no cash flow surprises.

SUPERANNUATION

Co-Contribution

- Superannuation co-contribution payment for low income earners to rise to \$1.50 for every \$1 of voluntary contributions, up to a maximum of \$1,500.
- Maximum co-contribution will be paid to people earning up to \$28,000 (rather than \$27,500 previously) and will phase out at \$58,000, rather than at \$40,000 as at present. These changes will apply for personal contributions made from 1 July 2004.
- **Please note** that the sore point here is that self-employed persons are not entitled to this superannuation co-contribution.

Super Surcharge

- Proposed reduction in the maximum surcharge rate from 15% to 12.5% for 2004-05, 10% for 2005-06 and 7.5% for 2006-07 and subsequent years.

FRINGE BENEFITS TAX

- The existing FBT exemption for work-related items such as laptop computers will be extended to include portable printers, as well as personal digital assistants.
- The existing FBT exemptions for relocation costs will also be extended to cover the engagement of relocation consultants.

Please note that at the time of going to print, many of these proposals were not law, so there may be some changes between now and royal ascent.