



4<sup>th</sup> June 2008

**Taxation and Financial Planning News letter for 2007/2008**

**Resident Individual Tax Rates**

Marginal Tax Rate (MTR) %	Existing tax (2007/08) \$	2008/2009 \$	Proposed - 2009/2010 \$
0	0 – 6,000	0 – 6,000	0 – 6,000
15	6,001 – 30,000	6,001 – <b>34,000</b>	6,001 – <b>35,000</b>
30	30,001 – 75,000	<b>34,001 – 80,000</b>	<b>35,001 – 80,000</b>
40	75,001 – 150,000	<b>80,001 – 180,000</b>	80,001 – 180,000
45	150,001 +	<b>180,001 +</b>	180,001 +

- ❖ The **low income tax offset** is \$750 (increased from \$600) for the 2007/2008 financial year (which is again increased to \$1200 in 2008/2009) and reduces when taxable income passes \$30,000. Therefore, for 2007/2008 the effective tax-free threshold is \$11,000 (for 2008/2009 it is \$14,000).
- ❖ Medicare levy of 1.5% is normally payable subject to the income thresholds on top of the above tax rate. In addition, Medicare levy surcharge of 1% is payable if there is no private hospital cover and the combined taxable income of a couple is in excess of \$100,000 or for an individual the taxable income is in excess of \$50,000. (2008 budget proposal increases these thresholds)

Taxable income = Assessable Income (less) Allowable Deductions.

*Tax credits and offsets (rebates) are more effective than deductions as they reduce the tax payable.*

**Company and Fringe Benefit Tax Rates:**

- ❖ Company tax remains the same at 30% and Fringe Benefits tax rate is 46.5%.

**“Cents per Km Rates” to claim car expense up to 5000kms:** (same as last year, no change)

Engine capacity (non –rotary)	Rate (cents)
0-1600 cc (1.6Ltr)	<b>58</b>
1601 – 2600 cc (2.6Ltr)	<b>69</b>
2601 cc +	<b>70</b>

**Superannuation Strategies:**

- ❖ Salary sacrifice super is a very effective strategy to accumulate Retirement wealth in a very tax effective manner, especially for people planning to retire in 10 to 15 years.
- ❖ Super co-contribution is a great way to get government benefit of \$1,500 pa for a contribution of \$1,000 when the income thresholds are met. This is available for both employees and self-employed.
- ❖ Super drawings, both lump sum and pension after age 60 is tax free.
- ❖ A limit of \$50,000 applies for employer contributions. For those over 50 as at 30/6/07, the limit is \$100,000 for next 5 years and after that reverts back to \$50,000.
- ❖ Both Super surcharge and Reasonable Benefit Limits (RBLs) have been abolished for a few years now.
- ❖ Consolidating superannuation is beneficial to keep control of your super and reduce fees/ charges.
- ❖ Work test until age 65 has been abolished for contributions and super can remain for lifetime and does not have to be withdrawn.
- ❖ Transition to retirement is beneficial for some people aged 55+.
- ❖ Spouse super offset remains at \$540, 18% of the contribution limit of \$3,000 when the spouse’s assessable income is below \$10,800.

*We as Financial Advisers strongly believe that, all these rules/ benefits make superannuation, the best vehicle to hold retirement wealth and now is the best time to top up.*

## Budget 2008 (main features):

### Superannuation:

- ❖ **First Home saver Account** has been introduced with effect from 1<sup>st</sup> October 2008.
- ❖ The Government has announced it will provide funding to set up a superannuation clearing house facility to receive employers' superannuation contributions, from 1 July 2009.

### Tax:

- ❖ Senior Australian Tax offset threshold has increased in the year 2008 and 2009.
- ❖ The Government has confirmed that Baby Bonus will increase to \$5,000 on 1 July 2008.
- ❖ From 1 July 2008, the Government will limit eligibility for Family Tax Benefit Part B so that it will only be available to families where the principle earner has an Income of \$150,000 or less per year.
- ❖ The Government will introduce a 50% Education tax refund on eligible educational expenses from 1 July 2008.

### Social Security:

- ❖ Definition of income for income tested benefits to include salary sacrifice
- ❖ Bonus payment for Seniors & Carers and indexation of age pension.

For further details about the budget proposals and this planning news letter please visit our website [www.palani.com.au](http://www.palani.com.au) and go to "News letters" on the home page.

### Staff changes:

We have had some staff changes over the last few months. Raju, a Chartered Accountant from India has joined the firm in January 2008. He replaced Leanne, who left us due to personal reasons. Raju assists mainly in Financial Planning. For more information about all our staff please refer our website.

*Tax planning before the end of June 2008 can potentially save a large amount of tax – So plan your tax rather than just pay tax! You may look at postponing income and prepaying expenses.*

***For tax planning, financial planning & advice on creating and maximizing your wealth for the future please do not hesitate to contact any one of us.***

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#### **Disclaimer**

*We have attempted to cover a wide range of topics in this paper. However you should not solely act on the basis of information contained herein because many issues are generalized and tax laws apply differently to different people in different circumstances.*