

The key changes explored

Reduction in the company tax rate

The reforms introduce a reduction in the company tax rate to 28% (the Henry Review had recommended 25%).

For eligible small business entities (those with a turnover below \$2m), company tax will reduce to 28% from 1 July 2012. For all other entities, the company tax rate reduction is phased across two years, reducing to 29% from 1 July 2013 and 28% from 1 July 2014.

Instant asset write off for small business

An expansion of capital allowance concessions will enable small business entities (turnover under \$2m) to:

- immediately write off assets valued under \$5,000 from its current level of \$1,000 (the Henry Review had recommended \$10,000); and
- write-off all other assets (except buildings) in a single depreciation pool at a rate of 30%. Currently, there are two different depreciation pools (in effect, the long life pool will be removed).

If introduced, come 1 July 2012, a small business cafe that purchases a display fridge for \$4,000 will be able to claim a \$4,000 deduction in the first year.

Under current rules, the cafe would be entitled to a \$600 deduction in the first year.

Introduction of a Resources 'Super' Profits Tax

The Government intends to introduce a 40% profits tax on the non-renewable resources sector on 1 July 2012. The RSPT will be payable at 40% on the realised value of resource deposits, measured as the difference between the revenues generated from resource extraction and associated costs.

The RSPT is the funding vehicle for the other announced reforms.

The Government also introduced an exploration rebate to try and stimulate further development in this sector. In addition, \$700 million per annum of the tax generated is set aside for the States with a weighting towards the resource rich States.

Superannuation guarantee rate to increase to 12%

Under this reform, the superannuation guarantee charge rate will gradually increase from 1 July 2013 until it reaches 12% in 2019/2020. The rate will increase by 0.25% for the 2013/2014 and 2014/2015 financial years, and 0.5% for each additional financial year until the superannuation guarantee reaches 12% in 2019/2020.

The interesting issue for many employers will be the impact of the increased superannuation guarantee on salary packages.

'Catch up' concessional contributions caps

Over the last few years, transitional contribution caps have been in place to boost the level of retirement savings in Australia. The transitional caps have allowed people to put more pre-tax money into their super fund and benefit from the concessional tax rate. These transitional contributions caps expire on 30 June 2012.

Under this reform, permanent 'catch up' concessional contribution caps will be available to those aged 50 or over. However, this concession will only apply to those with a super balance of less than \$500,000.

Superannuation guarantee limit increased to 75

This reform would increase the age limit for the superannuation guarantee to 75 (from 70) on 1 July 2013. This would mean that for the first time, older workers aged 70 to 74 will be eligible to have SG contributions made on their behalf.

