

## THE BOTTOM LINE

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### (1) ECONOMIC STIMULUS PACKAGE

On 3 February 2009 the Government released its economic stimulus package, *Nation Building and Job Plan*. Key proposals in this package include:

- a range of energy efficiency initiatives including free installation of ceiling insulation, a low emissions rebate plan for renters, and an increase in the Solar Hot Water Rebate;
- infrastructure investment in schools, rail and road safety projects, and defence and social housing;
- a revamping of the proposed small business and general business temporary investment allowance; and
- cash bonuses for low and middle income households.

### (2) GOVERNMENT ANNOUNCEMENTS REGARDING TEMPORARY INVESTMENT ALLOWANCE

On 12 December 2008, the Government announced that a 10% temporary investment allowance (“TIA”) deduction will be available to business taxpayers for the cost of most new depreciating assets costing \$10,000 or more. It will apply to expenditure incurred from 13 December 2008 until 30 June 2009. To satisfy the deduction entitlements, the qualifying asset must be installed ready for use by 30 June 2010.

On 3 February 2009, the Government announced an extension to this investment allowance specifically for small businesses. This concession allows small businesses to claim a 30% TIA deduction for eligible assets costing \$1,000 or more that are acquired from 13 December 2008 to 30 June 2009. Such assets must be installed ready for use by 30 June 2010.

Further, for eligible assets acquired by small businesses that cost \$1,000 or more and are acquired from 1 July 2009 to 31 December 2009, a 10% investment allowance will be available providing the asset is installed ready for use by 31 December 2010.

The announcement also states that other businesses can receive the same deductions for eligible assets costing greater than \$10,000.

Draft legislation has currently been prepared for public consultation. It is expected to be presented to Federal Parliament in late March.

#### Eligible Assets

To be eligible for the TIA the asset must be a new tangible depreciating asset or new expenditure on an existing asset that is used in carrying on a business and qualifies for a deduction under the normal depreciation provisions.

The TIA will not apply to capital works (i.e., building improvements and works); assets that are eligible for special treatment as primary production assets (e.g., water facilities and related assets for conserving or conveying water in a primary production business; horticultural plants; assets connected with the prevention of land degradation; or electricity and telephone connections); or in-house software developments.

The cost base of the asset will be net of GST.

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Cars will not be excluded from the TIA, but they will be subject to the depreciation cost limit. So, the maximum entitlement in respect of a car will be 30% of the depreciation cost limit.

If you have any queries regarding how you may benefit from this announcement, please contact us. However, bear in mind that the legislation has not yet been enacted.

### (3) CASH BONUS FOR TAXPAYERS

The Government announced the following five one-off cash payments for eligible taxpayers.

#### **Tax Bonus for Working Australians**

The Government will provide an up-front, lump-sum tax bonus of up to \$900 to around 8.7 million Australian workers earning \$100,000 or less:

- \$900 bonus will be paid to eligible taxpayers with a taxable income of up to and including \$80,000;
- \$600 bonus will be paid to eligible taxpayers with taxable incomes exceeding \$80,000 and up to \$90,000; and
- \$250 bonus will be paid to eligible taxpayers with incomes exceeding \$90,000 up to and including \$100,000.

You don't need to apply for the payment. The Australian Taxation Office will automatically make the payment after determining eligibility based on your 2007-08 tax return. The Government has indicated that these payments could start flowing in April 2009.

#### **Single Income Family Bonus**

Families who are eligible for Family Tax Benefit Part B (FTB-B) on 3 February 2009 will receive the Single Income Family Bonus of \$900. Most of these payments are expected to be made automatically by Centrelink in the fortnight commencing 11

March 2009, will be non-taxable and will not be counted as income for social security purposes.

#### **Farmer's Hardship Bonus**

You will receive a lump-sum payment of \$950 if, on 3 February 2009, you are a drought affected farmer or farm dependent small business receiving exceptional circumstances related income support. The payments are expected to be made in the fortnight commencing 24 March 2009. They are not taxable and nor will they be counted as income for social security purposes.

#### **Back to School Bonus**

The Government's \$950 Back to School Bonus will provide a one-off, up-front bonus to be paid to families eligible for Family Tax Benefit Part A (FTB-A) on 3 February 2009, for each eligible child of school age (aged 4 to 18 on 3 February 2009). This is in addition to and separate from the Education Tax Refund.

#### ***Training and Learning Bonus***

There will also be a \$950 training and learning bonus for eligible students and people outside the workforce returning to study.

### (4) PENSION DRAWDOWN RELIEF FOR RETIREES

As a response to the economic downturn, the Government has announced that it will suspend the minimum drawdown requirement for account-based pensions for the second half of 2008/09 as a relief measure for retirees.

This will occur through a 50% reduction in the minimum payment amount for 2008/09. The measure responds to concerns that meeting the minimum drawdown amount in 2008/09 would mean retirees having to sell investment assets and realise losses in a depressed market. It also addresses the concern that the minimum drawdown requirement was set based on asset values as at 1 July 2008, when equity values were higher.

For those people who have already taken half of the current minimum payment for 2008/09, the annual nature of the minimum payment rules means that a further payment will not be required until the end of 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); account-based and allocated pensions payable from Retirement Savings Accounts, and market-linked (term allocated) annuities and pensions.

## (5) EDUCATION TAX REFUND – KEEP YOUR RECEIPTS!

Effective from the 2009 tax year, the Government has introduced an “education tax refund”. This will enable eligible families to claim a 50% refund for key education expenses.

Eligible families must be in receipt of Family Tax Benefit Part A for children in primary or secondary school. Parents are also eligible if they would be eligible for Family Tax Benefit Part A, except that the child receives certain payments, such as youth allowance or a disability support pension.

The education tax refund will apply to common school items, including:

- laptops and home computers;
- printers, software and internet connections;
- textbooks and other printed learning materials; and
- stationery and trade tools for school-based trade courses.

You cannot claim for school fees, uniforms, excursions, transportation costs musical instruments, or sports clothing and equipment.

Parents will be able to claim a 50% refund for such expenditure up to a maximum of:

- \$750 for each child in primary school (i.e., maximum refund of \$375 per child); and
- \$1,500 for each child in secondary school (i.e., maximum refund of \$750 per child).

If you believe you may be eligible for this tax refund, make sure that you keep your receipts, in order that the education tax refund can be claimed when preparing your 2009 income tax return.



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