

\$42 BILLION NATION BUILDING AND JOBS PLAN

You may have heard of the proposed ‘\$42 Billion Nation Building and Jobs Plan’ which was released by the Australian Government on Tuesday the 3rd of February. So what does this mean for you and your business? Below you will read what is on offer from the Federal Government and the eligibility criteria for these Government assistances and allowances. If you require any further explanation of the below please don’t hesitate to contact our office for further clarification.

It should be noted that this Government stimulus package has yet to pass through both houses of parliament and has been opposed by the Opposition. As a result the package may be amended or rejected by Parliament. However, given the significance of the package and the speed at which it is proposed for introduction, we believe it is best to be fully informed about these potential changes.

Business - Assistance & Allowances

Small Business and General Business Tax Break

You may recall the ‘Temporary Investment Allowance’ which was announced by the Federal Government on 13 December 2008. This allowance entitled businesses to an additional 10% tax deduction on all plant and equipment purchases of \$10,000 or more purchased between 13 December 2008 and 30 June 2009. The new proposed economic stimulus will increase this allowance to 30% along with dropping the minimum spend to \$1,000 for small businesses* (General businesses remain at \$10,000).

An example of this benefit is, if you were to purchase \$10,000 worth of Plant & Equipment, in your 2009 income tax return you will be entitled to an immediate \$3,000 (30%) tax deduction for the purchase of that particular plant and equipment. Along with the additional 30% immediate tax deduction the plant and equipment will be treated as a capital item and depreciated over the life of the asset as normal.

An example of the tax saving for this stimulus is as follows:

	Without Allowance	With Allowance
Plant & Equipment at Cost	10,000	10,000
Immediate 30% Tax Deduction	-	(3,000)
Depreciation over life of Asset	(10,000)	(10,000)
Total Tax Deduction over life of Asset	(10,000)	(13,000)
Effective Tax Break on Asset at 30% Tax Rate	\$3,000	\$3,900

After the 2009 income tax year has ceased, this particular stimulus will continue for assets purchased before 31 December 2009, with the exception that the immediate tax deduction on plant and equipment purchases after 30 June 2009 will decrease from 30% back down to 10%.

* Small business entity rules apply to be eligible for the \$1,000 minimum spend threshold, e.g. business turnover is less than \$2 million per annum.

Farmer's Hardship Bonus

Farmer's who are experiencing hardship due to drought conditions and others receiving Exceptional Circumstances related income support will receive a one-off bonus of \$950. Eligible recipients of this assistance will be those in receipt of the following support schemes:

- Exceptional Circumstances Relief Payment for Farmers;
- Interim Income Support for Farmers;
- Exceptional Circumstances Relief Payment for Small Business;
- Interim Income Support for Small Business;
- Transitional Income Support; and
- Farm Help Income Support.

If eligible for this assistance, the payment will come via Centrelink in the fortnight commencing 24 March 2009.

Individuals - Assistance & Allowances

\$950 Tax Bonus for Working Australians.

This proposed tax bonus is based on the level of income contained in the 2008 income tax return of working Australians who have (and will) lodged their income tax return prior to 30 June 2009. Individuals should be eligible for tax bonuses of:

- \$950, if the taxpayer had 2008 taxable income less than \$80,000;
- \$650, if the taxpayer had 2008 taxable income between \$80,001 and \$90,000; and
- \$300, if the taxpayer had 2008 taxable income between \$90,001 and \$100,000.

Individuals are only eligible for the bonus if they have lodged their personal income tax return for the year ended 30 June 2008 by 30 June 2009.

Furthermore, to be eligible for the tax bonus, taxpayers must have a net tax liability after considering the following:

- Total tax payable;
- Medicare levy and Medicare levy surcharge;
- Less any offsets or imputation credits they received for the year.

An example of an individual who will receive the full \$950 tax bonus is:

John Smith	\$
2008 Taxable Income	75,000
Tax on Taxable Income	17,100
Medicare Levy	1,125
Total Tax Payable	<u>18,225</u>
Less: Imputation Credits	(1,000)
Less: Dependent Spouse Offset	<u>(1,000)</u>
	16,225
Less: Pay As You Go Withholding Tax	<u>(18,000)</u>
2008 Income Tax Payable / (Refund)	<u>(1,775)</u>
Net Tax Payable	<u><u>16,225</u></u>

As John has net tax payable of \$16,225, he is eligible to receive the \$950 tax bonus.

An example of an individual who will not receive the full \$950 tax bonus is:

Sally Smith	\$
2008 Taxable Income	10,000
Tax on Taxable Income	600
Medicare Levy	-
Total Tax Payable	<u>600</u>
Less: Imputation Credits	(1,250)
Less: Low Income Offset	<u>(600)</u>
	(1,250)
Less: Pay As You Go Withholding Tax	<u>(200)</u>
2008 Income Tax Payable / (Refund)	<u>(1,450)</u>
Net Tax Payable	<u><u>-</u></u>

As Sally has no net tax payable, she is not eligible to receive the \$950 tax bonus as she has no further tax paid to be offset.

Summary: to be eligible for part or the entire tax bonus the taxpayer must have paid income tax without receiving a full refund of all tax payments made during the 2008 financial year, hence having net tax payable for the 2008 income tax year.

If eligible for this tax bonus, the taxpayer will be paid the one-off tax bonus by the Australian Taxation Office from April 2009.

Single-Income Family Bonus

This bonus is proposed to single-income families who are entitled to Family Tax Benefit (FTB) – B. This bonus is to the sum of \$950 of which will be paid to families through their FTB – B claim with Centrelink.

Families who receive their FTB- B payment on a fortnightly instalment basis will be paid the one-off \$950 bonus in their fortnightly claim beginning the period after 11 March 2009. Families who claim their FTB – B payment through Centrelink on an annual lump sum basis will receive their one-off bonus upon their 2009 claim.

Assistance with Education – Back to School Bonus

This bonus is proposed for families who are entitled to FTB – A, this bonus is to the sum of \$950 per child of primary & secondary school age. Dependent students receiving Government allowances such as ‘Youth Allowance,’ ‘Austudy’ and ‘ABSTUDY’ individually may be entitled to the ‘Training and Learning Bonus’ (see below) and will not be eligible for the ‘Back to School Bonus.’

The payment of this bonus will be similar to the ‘Single-Income Family Bonus.’ Families who receive fortnightly FTB - A instalments will receive the one-off bonus(es) in their fortnightly claim beginning the period after 11 March 2009. Families who claim their FTB – A payment on an annual lump sum basis, they will receive their one-off bonus(es) through the lodgement of their 2009 income tax returns.

Please note that this one-off bonus is on top of the Education Tax Refund which was introduced in the 2009 federal budget.

Training and Learning Bonus

This one-off bonus of \$950 is proposed for students who receive the following Government allowances:

- Austudy;
- Youth Allowance;
- Abstudy;
- Newstart Allowance;
- Veterans’ Children Education Scheme;
- Military Rehabilitation and Compensation Act Education and Training Scheme;
- Parenting Payment (must be studying); and
- Education Entry Payment.

If you currently receive any of the above payments and are currently studying or are enrolled to study you will receive the one off bonus via Centrelink in the fortnight beginning 24 March 2009 along with your fortnightly Government allowance.