

NEWSLETTER

SPECIAL BULLETIN JULY 2011

Carbon Pollution Household Assistance Measures Announced

On Sunday 9 July the Government announced the detail of its proposal to put a price on carbon pollution. As part of those announcements the Government also announced a range of household assistance measures which are designed to help offset the price impacts of the changes. These measures include proposed tax cuts and increases in pensions, allowances and family payments.

Proposed Tax Cuts and Tax Reform

The Government has announced that the household assistance package will include both tax cuts and a number of tax reform measures to simplify the tax system and improve incentives to work.

From 1 July 2012 the Government proposes to triple the tax free threshold and to increase the 15% and 30% marginal tax rates to 19% and 32.5% respectively. From 1 July 2015 the tax free threshold and the 32.5% tax rate would be further increased to \$19,401 and 33% respectively. The following table summarises the current and proposed marginal tax rates.

Tax scale	Current		From 1 July 2012		From 1 July 2015	
	Threshold	Tax rate	Threshold	Tax rate	Threshold	Tax rate
1st rate	\$6,000	15%	\$18,201	19%	\$19,401	19%
2nd rate	\$37,001	30%	\$37,001	32.5%	\$37,001	33%
3rd rate	\$80,001	37%	\$80,001	37%	\$80,001	37%
4th rate	\$180,001	45%	\$180,001	45%	\$180,001	45%

The Government has also announced that it proposes to roll the Low Income Tax Offset (LITO) into the increased tax free threshold. As a result, the LITO will be reduced from its current level of \$1,500 to \$445 from 1 July 2012 and then to \$300 from 1 July 2015. Combined with the new tax free threshold this will increase the effective tax free threshold for people eligible to receive LITO from the current level of \$16,000 to \$20,542 from 1 July 2012 and to \$20,979 from 1 July 2015.

The Government has outlined that these changes will also simplify the tax system for part time and low income workers earning less than the tax free threshold, as they will not have any tax deducted from their salary or wages. The Government also says that these changes will mean that over a million taxpayers will no longer need to lodge a tax return.

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Small Business Tax Announcements

The Government has announced a proposal to increase the small business instant asset write-off threshold for businesses with an aggregated turnover of less than \$2m a year from \$5,000 to \$6,500 for depreciable assets from 1 July 2012.

For more information on the proposed tax changes please see www.treasurer.gov.au

Social Security / Family Assistance Changes

As part of the household assistance measures the Government have also announced that it proposes to increase pensions, allowances and family payments. The detail of these announcements are summarised as follows:

Pensioners / Allowees

A clean energy supplement is proposed from 1 July 2012. This supplement will be equivalent to 1.7% of the maximum rate of a person's pension or allowance, and will be paid as follows:

- In May/June 2012, an advance payment will be made to cover the period to 20 March 2013.
- From 20 March 2013, the clean energy supplement will then be paid as a fortnightly amount.

The maximum clean energy supplement will be \$338 pa for singles and \$510 pa for couples combined.

Self-funded Retirees

The clean energy supplement is also proposed for those eligible for the commonwealth seniors health card. As with pensioners and allowees, the maximum supplement will be \$338 pa for singles and \$510 pa for couples combined. The advance payment in May/June 2012 will also apply.

Family Tax Benefit Recipients

A lump sum advance is proposed to be paid to family tax benefit recipients in May/June 2012 to cover the period to 30 June 2013. During this time, family tax benefit payment amounts will remain unchanged.

From 1 July 2013, a fortnightly tax-exempt clean energy supplement is proposed.

The initial lump sum advance and the future fortnightly supplement will be equivalent to a 1.7% increase in the maximum annual rate of the relevant family tax benefit payment.

Low Income Supplement and Single Income Family Supplement

From 1 July 2012, it is proposed that single income families may be eligible for a single income family supplement of up to \$300 pa. This measure recognises that single income families may not benefit from proposed changes to the income tax system by as much as dual income families in a comparable financial position.

A low income supplement is also proposed for low income households who can demonstrate that the income tax and social security assistance will not fully compensate them against the expected cost impacts of a carbon price.

Clients Using Essential Medical Equipment at Home

For those using a dialysis machine or other life-support equipment at home, an annual cash payment of \$140 is proposed in addition to any other assistance.

For more information on the proposed social security and family assistance changes, please see www.jennymacklin.fahcsia.gov.au

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