

GOVERNMENT ECONOMY STIMULUS PACKAGE (Updated May 09)

The Government has announced three key measures to stimulate the economy:

1. Tax Bonus for Working Australians
2. Small Business Investment Break
3. Education Tax Refund

1. Tax Bonus for Working Australians

This has generally been well-publicised. The bonus payment is available to Australian resident taxpayers who paid tax in the 2007/2008 financial year (after all tax offsets and tax credits).

This means to qualify for the bonus tax must have been paid in the year. (This does not mean a taxpayer must have liability, rather than a tax refund at the end of the year). It means tax has been paid (eg. PAYG has been withheld for an employee or tax is payable by a self-employed person).

The payment thresholds are for taxable incomes:

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|-----|--------------------------------|---|------------------------|
| (a) | under \$80,000 | : | \$900 bonus is payable |
| (b) | between \$80,000 and \$90,000 | : | \$600 bonus is payable |
| (c) | between \$90,000 and \$100,000 | : | \$250 bonus is payable |

Taxpayers do not need to apply for the bonus – the ATO will automatically make the payment.

However, the tax bonuses will only be paid to those who have lodged their 2007/2008 return by 30 June 2009.

The ATO has stated that the payments will commence in early April 2009. It is recommended that 2007/2008 tax returns are lodged before 1 April 2009 to avoid delays in the processing of the bonus

If the taxpayer has not elected to have refunds made (for income tax purposes) electronically, the tax bonus cheque will be sent to Ahead For Business Pty Ltd (from where it will be forwarded – in the same way a tax refund cheque is forwarded).

Ahead For Business Pty Ltd
Level 10, 420 St Kilda Road
Melbourne Victoria 3004
Phone 03 . 9867 7711
Fax 03 . 9867 7226
email admin@aheadforbusiness.com.au

ACN 007 235 403
ABN 84 007 235 403
Liability limited by a scheme approved under
Professional Standards Legislation

There are several variations to this bonus which include:

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|-------|------------------------------|---------|
| (i) | Single Income Family Bonus: | (\$900) |
| (ii) | Farmers' Hardship Bonus: | (\$950) |
| (iii) | Back to School Bonus: | (\$950) |
| (iv) | Training and Learning Bonus: | (\$950) |

The Single Income Family Bonus relates to families with children with one main income earner. These are families who (as at 3 February 2009) were eligible to receive Family Tax Benefit FTB (Part B). (These payments commence on 11 March 2009).

The Farmers' Hardship Bonus is for farmers and rural-dependent small business owners receiving certain income support and exceptional circumstances relief payments. The payments will be made in the fortnight commencing 24 March 2009.

The Back to School Bonus relates to families eligible for FTB (Part A) on 3 February for each eligible child of school age (aged 4 to 18 on 3 February 2009).

The Training and Learning Bonus has two categories:

- (i) the bonus applicable to eligible students
- (ii) the additional incentive for social security recipients to return to education and training

2. Small Business Tax Break (Updated May 2009)

The Government has announced measures to stimulate the economy using a form of investment allowance.

Small businesses can claim an additional **50%** tax deduction for eligible assets costing \$1,000 or more where they are acquired between 13 December 2008 and 31 December 2009. The assets must be installed before 31 December 2010.

(The allowance is in addition to the normal capital allowance deduction (depreciation) which is claimable).

A small business is defined as a business with a turnover of \$2 million or less.

Assets eligible are new tangible depreciating assets used in carrying on the business.

Examples of assets which **do not** qualify are:

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|-----------------|--------------------------|--|
| • Land | • Software | • Construction Expenditure |
| • Trading Stock | • Capital Building Works | • Cars using per kilometre method of deduction |

Motor vehicles will not be disqualified from the allowance merely because the "12%" method is used (12% of original cost of motor vehicle is deducted). Also included are R & D assets whose depreciation is claimed under the Small Business Entity Rules.

In relation to motor vehicles there is a cap on the allowance in line with luxury car limit (currently \$57,180).

There is no apportionment of the allowance for a personal use element but the asset must be primarily for business use.

The allowance applies only to new assets (secondhand motor vehicles are not eligible for the allowance).

Demonstration motor vehicles will qualify for the allowance.

The Investment Allowance applies to depreciating assets under “Division 40-30 that qualify under subdivision for depreciation under subdivision 40-B of the income Tax Act – but exclude intangible rights (eg. prospecting rights)

Purchased software currently does not qualify for the Investment Allowance although the Government is being lobbied to include this.

In the case of leasing and hire purchase it is the “holder” of the asset who claims depreciation who will be eligible for the Investment Allowance. With a general operating lease (rental) the lessor not the lessee will, therefore, be eligible for the Allowance.

3. Non Small (Other) Business Tax Break

A similar investment allowance is available to businesses with a turnover exceeding \$2m.

Other businesses can claim an additional **30%** tax deduction for eligible assets costing \$10,000 or more where they are acquired between 13 December 2008 and 30 June 2009. The assets must be installed before 30 June 2010.

Other businesses can claim an additional **10%** tax deduction for eligible assets costing \$10,000 or more where they are acquired between 1 July 2009 and 31 December 2009. The assets must be installed before 31 December 2010.

(The allowance is in addition to the normal capital allowance deduction (depreciation) which is claimable).

Assets eligible are new tangible depreciating assets used in carrying on the business.

Examples of assets which **do not** qualify are:

- Land
- Software
- Construction Expenditure
- Trading Stock
- Capital Building Works
- Cars using per kilometre method of deduction

Motor vehicles will not be disqualified from the allowance merely because the “12%” method is used (12% of original cost of motor vehicle is deducted).

In relation to motor vehicles there is a cap on the allowance in line with luxury car limit (currently \$57,180).

There is no apportionment of the allowance for a personal use element but the asset must be primarily for business use.

The allowance applies only to new assets (secondhand motor vehicles are not eligible for the allowance).

Demonstration motor vehicles will qualify for the allowance.

The Investment Allowance applies to depreciating assets under “Division 40-30 that qualify under subdivision for depreciation under subdivision 40-B of the income Tax Act – but exclude intangible rights (eg. prospecting rights)

Purchased software currently does not qualify for the Investment Allowance although the Government is being lobbied to include this.

In the case of leasing and hire purchase it is the “holder” of the asset who claims depreciation who will be eligible for the Investment Allowance. With a general operating lease (rental) the lessor not the lessee will, therefore, be eligible for the Allowance.

4. Education Tax Refund

Families eligible for this special refund will be able to claim 50% refund every year (through the tax return) for key educational expenses:

- (a) \$750 per child undertaking primary studies (with a maximum refund of \$375 per child per year).
- (b) \$1,500 per each child undertaking secondary studies (maximum refund of \$750 per child per year)

The refund can apply to many common school items including laptops, home computers, internet connections, printers, educational software, tools, text books and stationery.

It is essential that parents retain all receipts.

Parents who are entitled to Family Tax Benefit (Part A) for primary and secondary school children are eligible for the refunds, as well as parent who would be eligible but for the fact that the child receives certain payments or allowances such as Youth Allowance Disability Support Pension and ABStudy Living Allowance.

If you have any queries in relation to any of the above measures please contact Wendy Hancox or Brian Jones on (03) 9867 7711.