

What's New in Tax?

With a new financial year comes changes to the tax system. Unfortunately this may not be the most exciting e-Newsletter we have published to date but if you are affected by one of the following you may find it beneficial to read on. The key changes affecting the 2011 financial year include:

1. Income tax rates for individuals
2. Motor vehicles set rates
3. Fuel tax credits rate change
4. Increase in threshold for medical expenses tax offset
5. Trustee's tax file number withholding obligations
6. Superannuation rates and thresholds
7. Superannuation co-contribution
8. Self managed superannuation funds compliance

1. Income Tax Rates For Individuals

Income tax rates for individuals for 2010-2011 year are as follows:

Residents

Income thresholds	Rate	2011 tax payable
\$0 - \$6,000	0%	Nil
\$6,001 - \$37,000	15%	Nil + 15% of excess over \$6,000
\$37,001 - \$80,000	30%	\$4,650 + 30% of excess over \$37,000
\$81,001 - \$180,000	37%	\$17,550 + 37% of excess over \$80,000
\$180,001 +	45%	\$54,550 + 45% of excess over \$180,000

Non-residents

Income thresholds	Rate	2011 tax payable
\$0 - \$37,000	29%	Nil + 29% of excess over \$0
\$37,001 - \$80,000	30%	\$10,730 + 30% of excess over \$35,000
\$80,001 - \$180,000	37%	\$23,630 + 37% of excess over \$80,000
\$180,001 +	45%	\$60,630 + 45% of excess over \$180,000

The **PAYG Withholding rates** for employees have changed from 1 July 2010 year. For quick reference they can be found and downloaded from the Australian Taxation Office website as follows:

Weekly tax table: <http://www.ato.gov.au/content/downloads/BUS00241468N10050510.pdf>

Fortnightly tax table: <http://www.ato.gov.au/content/downloads/BUS00241560N10060510.pdf>

2. Motor Vehicles Set Rates

The motor vehicle cents per kilometre rates remain unchanged from last year and are as follows:

Income year	Small car	Medium car	Large car
2010	63 cents	74 cents	75 cents

Type of car	Engine capacity – non rotary	Engine capacity – rotary
Small	≤1,600 cc	≤800cc
Medium	1,601 – 2,600 cc	801 – 1,300 cc
Large	≥2,601 cc	≥1,301 cc



3. Fuel Tax Credits Rate Change

From 1 July 2010, the fuel tax credits rate for heavy vehicles that use fuel such as diesel or petrol and travel on public roads is **15.543 cents** per litre. This change is due to an increase in the road user charge. A heavy vehicle is a vehicle which has a gross vehicle mass (GVM) greater than 4.5 tonne.

4. Increase in Threshold for Medical Expenses Tax Offset

Medical Expenses Tax Offset

Income Year	Rebate and threshold
Up to 2010 income year	20% of excess of net eligible medical expenses over \$1,500
2011 income year	20% of excess of net eligible medical expenses over \$2,000

5. Trustee's Tax File Number Withholding Obligations

From 1 July 2010 trustees of closely held trusts will be required to withhold tax at the top marginal rate of 46.5% where:

- An 'eligible beneficiary' receives a distribution from the trust and the beneficiary has not provided their tax file number to the trustee prior to the distribution; or
- An 'eligible beneficiary' who is presently entitled to income of the trust and has not provided their tax file number to the trustee prior to year end.

A closely held trust is a trust that is either: -

- A discretionary trust; or
- a trust which has up to 20 beneficiaries who have fixed entitlements to a 75% or greater share if the income or capital of the trust

6. Superannuation Rates and Thresholds

Concessional contributions caps are unchanged from the 2009/2010 year. Concessional contributions include employer contributions (including contributions made under a salary sacrifice arrangement) and personal contributions claimed as a tax deduction by a self-employed person

Age	Amount of Cap
<50 years of age	\$25,000
50 to 74	\$50,000

Non-concessional contributions caps - Non-concessional contributions are contributions for which tax payers do not claim an income tax deduction. The thresholds for 2010/11 are set out below:

Income Year	Amount of Cap
2010/11	\$150,000 or \$450,000 over 3 years

There is a 'bring forward' option under which taxpayers can contribute greater than \$150,000 in an income year as long as the total contributions for that year and the next 2 years do not exceed \$450,000. This option only applies to taxpayers who are under 55 at anytime in the year that want to 'bring forward' their contributions.



7. Superannuation Co-Contribution

If an individual's income is eligible for the co-contribution and they make personal superannuation contributions, the government will match each \$1 contributed with a 'co-contribution' of \$1. The maximum co-contribution is \$1,000 (unchanged from 2009/10).

Income Year	Total Income \$	Calculation of Maximum Co-contribution
2010/11	0 - 31,920	\$1,000
	31,921 - 61,919	\$1,000 – [3.333% x (Total Income - \$31,920)]
	61,920+	Nil

8. Self Managed Superannuation Funds Compliance

The Tax Office has issued a statement relating to self managed superannuation funds with particular emphasis on the obligations and responsibilities of trustees.

The main issues relate to non arms length loans, illegal early release of funds and excess contributions.

Excess contributions tax is payable when an individual's super contributions in a financial year exceed certain thresholds known as contributions caps. Under the terms of the trust deed, if the trustee accepts the contribution, the trustee is directed to hold the contribution in a separate trust, even though the amount has been treated as a contribution and mixed with other assets of the super fund. The member may still have to pay excess contributions tax on these amounts, even if the trustee repays the amount back to the member.

Best wishes

The Forsyths Team

Sources: ATO – Australian Tax Office

Armidaile p:6773 8400

Coonabarabran p:6842 0000

Gunnedah p:6748 5000

Tamworth p:6763 0100

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