

The Henry Report

Executive Summary

On Sunday 2nd May the Government publicly released the much anticipated ‘Australia’s Future Taxation System Report’, (known as the Henry Report) together with their response to the report. Although the Henry Report contains sweeping recommendations to reform Australia’s tax system, the Government has initially focused on resource, company and small business taxations.

The Government announced that they will deal with the recommendations in one of three ways:

1. Recommendations which will be implemented (although over an extended period);
2. Recommendations which will never be implemented; and
3. The remaining recommendations will be the subject to further consideration and consultation in what the Government describes as “a decade long process of reform”.

The initial changes aim to invest in sustainable economic growth. This ‘investment’ is constituted by three roughly equivalent elements:

- Cuts in business taxes – company tax rate changes;
- Investment in infrastructure and the resources sector; and
- A boost to national savings through changes to superannuation arrangements.

Phase 1 – Recommendations which will be implemented

Reform area	Reform	Estimated Implementation Date
Company tax – small business	Reduction to 28% from 2012/13	1 July 2012
Company tax	Phased reduction to 28% in 2014/15	1 July 2013
Small business depreciation	Instant asset write off for assets <\$5,000 and simplified depreciation	1 July 2012
Superannuation guarantee	Incremental increases each year to reach 12% by 2019/2020	1 July 2013
Superannuation guarantee	Superannuation guarantee age limit increased to 75	1 July 2013
Superannuation concessional contributions caps	A higher contribution cap of \$50,000 for those aged 50 and over with super balances less than \$500k	1 July 2012
Superannuation – low income earners	A superannuation contribution from the government of up to \$500 pa for those on adjusted taxable income up to \$37k	Contributions made from 1 July 2012
Resource profits tax	40% profits tax on non-renewable resources	1 July 2012
Resource exploration rebate	Refundable tax offset set at the company tax rate for exploration expenditure in Australia	Expenditure on or after 1 July 2011
Infrastructure fund	\$700m fund to be divided up among the states. (Funded by the resource profits tax)	2012/2013

Conclusion

The Government’s initial response to the Henry Report marks a timid first step towards serious tax reform, according to the Institute of Chartered Accountants in Australia.

The announced changes are funded by and dependant upon the introduction of the Resource profits tax.

The framework for the reform has been established – the extent and speed of future reform will be affected by the outcome of the election towards the end of this year.

We will continue to keep you informed of The Henry Report and proposed changes as they come to hand.

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