

Budget Crackdown 2011

Taxation of Minors

From the 2011/2012 financial year, those under the age of 18 will not get the Low Income Tax Offset, currently \$1,500. The effect of this will be that the most a child can receive as tax free income will be \$416 pa. Currently, a child could get a distribution from your Family Trust, of up to \$3,333 and pay no tax. The difference will now have to be included in the income of the adult family members of that trust, and taxed at their marginal tax rates.

Fringe Benefits Tax on Cars

The calculation of the taxable value of a car provided by the business will now be 20% of the cost of the car, regardless of the kilometres travelled. The old rates were:-

Up to 15,000km pa	26%
15,000 to 25,000km pa	20%
25,000 to 40,000km pa	11%
Over 40,000km pa	7%

So if you have a car provided by the business, and you travel more than 25,000km per year, you will be paying much more in fringe benefits tax. You may consider changing to a commercial vehicle which is not subject to FBT (ie a ute), or taking the car allowance and paying for your car and mobile phone personally.

Flood and Cyclone Levy

For the 2011/2012 financial year we will pay a levy for the flood and cyclone reconstruction costs as follows:-

<u>Individuals Taxable Income</u>	<u>Levy</u>
Up to \$50,000 pa	Nil
\$50,000 to \$100,000 pa	0.5%
Over \$100,000 pa	1%

This is another reason to contribute to superannuation, or to your investment company, and therefore reduce your personal taxable income. .

Family Tax Benefits

The personal and family income thresholds for eligibility is usually indexed to CPI, but will now be frozen for the next 3 years, so less people will be receive these benefits.

Please call McDonald Ross on 02 9262 5566 if you have any questions.

