

Federal Budget

2006/07 Bulletin



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10 May, 2006

Big Tax Cuts and More Government Spending

The Treasurer has given back to the electorate a large part of the Government surplus with generous tax cuts and increased government spending particularly on families, defence and roads. Both small and large business will receive concessions that should make it more attractive to invest in business infrastructure. Superannuation taxes have also been dramatically reduced, giving retirees more flexibility in planning for their retirement. However, there has also been an increased funding of the Australian Tax Office to identify tax evasion and avoidance.

What's in it for Individuals?

Personal Income Tax Cuts will be of most interest for Individual taxpayers. Examples of the amounts of the tax cuts for varying income levels is shown below:

Taxable Income	Annual Tax Saving	Weekly Tax Saving
\$35,000	\$710	\$14
\$70,000	\$1,350	\$26
\$100,000	\$2,700	\$52
\$150,000	\$6,200	\$119

For more details of the personal tax cuts see page 2.

Individuals will also be interested in the tax cuts for retirement savings, particularly the tax free payments for retirees over 60 years and abolishment of the RBLs.

For more details see page 4.

Fringe benefits tax concession thresholds have also been increased.

For more details see page 8.

What's in it for Large Business?

The main benefit for large business is accelerated depreciation rates.

The diminishing value depreciation rates for depreciable assets will be increased from 150% to 200% of the prime cost rate. For example an item or plant that has an effective life of 10 years will increase the diminishing value depreciation rate from 15% to 20%. As a result of this change most of the cost of the plant will be deductible over a much shorter time.

For more details on the deprecation changes see page 7.

What's in it for Medium Business?

Medium sized business will be interested in the depreciation changes mentioned above and should also be interested in the venture capital enhancements.

The venture capital enhancements will make it easier for small to medium business to find seed capital to expand their operations or conduct important R&D, marketing etc. These enhancements will make it more attractive for venture capital investors who will obtain tax free income and capital gains.

For more details see page 7.

What's in it for Small Business?

Small business will be interested in the personal tax cuts and depreciation changes mentioned above and some small business that are looking to expand quickly may also be interested in the Venture Capital enhancements mentioned above. However, the main business issues for small business are the changes to the small business tax concessions that will allow more small businesses to take advantage of the small business CGT concessions and Simplified Tax System.

The biggest change for the small business CGT concessions is the replacement of the 50% controlling individual test with the 20% significant individual test. For example this means a company that has up to 5 people that have an interest in the entity of 20% each will be entitled to use the small business CGT concessions, whereas previously they would only be available for controllers with at least 50% interest in the company.

For more details on small business concessions see page 5.

Another benefit for small business is the relaxation of the family trust election rules. Currently family trust elections and interposed entity elections are irrevocable. This has caused problems when a family trust election has been made by mistake. The government will change the law to allow revocation of these elections in certain circumstances and will also expand the definition of "Family group".

For more details see page 6.

Personal Income Tax

Personal Income Tax Cuts

The Budget has provided personal income tax cuts. These income tax cuts are in addition to those previously announced in 2005-06 Budget.

From 1 July 2006:

- 30% threshold will increase to \$25,001
- 42% marginal tax rate will be reduced to 40% and the threshold will be increased to \$75,001 (compared with the \$70,000 announced in the 2005-06 Budget) and
- 47% marginal tax rate (top marginal tax rate) will be reduced to 45% and the threshold will increase to \$150,001 (compared with the \$125,000 announced in the 2005-06 Budget for the top marginal tax rate).

Current tax thresholds (\$)	Tax rates (%)	New tax thresholds from 1 July 2006 (\$)	Tax rates (%)
0 – 6000	0	0 – 6000	0
6001 – 21,600	15	6001 – 25,000	15
21,601 – 63,000	30	25,001 – 75,000	30
63,001 – 95,000	42	75,001 – 150,000	40
95,001+	47	150,001+	45

Low Income Tax Offset (LITO)

From 1 July 2006, the low income tax offset (LITO) will increase from \$235 to \$600 and will begin to phase-out from \$25,000.

Taxpayers eligible for the full LITO will not pay tax until their annual income exceeds \$10,000 (up from \$7,567 currently). In addition, the income threshold at which the offset begins to reduce will increase from \$21,600 to \$25,000.

As a result of both of these changes, the income limit up to which some offset can be claimed will increase from \$27,475 to \$40,000. Taxpayers with annual incomes between \$21,600 and \$40,000 will benefit from both the increase in the 30% threshold to \$25,001 and the increase in the LITO.

Senior Australians

The effect of the tax cuts is that from 1 July 2006, senior Australians who receive the Senior Australians Tax Offset (SATO) will be able to earn more income without paying tax. Singles will be able to have taxable income up to \$24,867 (up from \$21,968) and couples up to \$41,360 (up from \$36,494) depending on the income earned by each member of the couple.

The Medicare levy thresholds that apply to senior Australians will also be increased to ensure that they do not pay the Medicare levy until they begin to incur an income tax liability.

Consequential Changes

The top marginal tax rate is the rate applicable in a number of cases in different parts of the tax law. For example, it is applied to contributions and earnings of non-complying superannuation funds, the unearned income of minors and the net income of a trust estate to which no beneficiary is presently entitled. Generally, rates of tax that reflect the top marginal rate will also be reduced to 45%.

Increasing Medicare Levy Low Income Thresholds

Effective from 1 July 2005 (2005/06 income year) the Medicare levy low-income thresholds will be increased to \$16,284 for individuals and \$27,478 for families. The additional amount of threshold for each dependent child or student will also be increased to \$2,523. The increase in the thresholds ensures that low-income families and individuals are exempt from paying the levy.

Effective from 1 July 2005 the levy low-income threshold for pensioners below age pension age will also be increased to \$19,583. This will ensure that pensioners below age pension age do not pay the Medicare levy while they do not have an income tax liability.

Removal of Part-Year Tax-Free Threshold for Students Ceasing Full-Time Education for First Time

From 1 July 2006 the part year tax-free threshold for taxpayers ceasing full-time education will be removed (effective from 2006/07 income year).

The full tax-free threshold of \$6,000 will be extended to all resident taxpayers that cease full-time education for the first time. This means that the requirement for these taxpayers to calculate a part-year tax-free threshold will be removed and will end the requirement for taxpayers to isolate income (and any deductions) attributable to the period during which a taxpayer was engaged in full-time study.

Currently, taxpayers who cease full-time education for the first time are not eligible for the full tax-free threshold of \$6,000. For the year in which a taxpayer first ceases full-time education, the reduced tax-free threshold is calculated by multiplying the number of months in the income year that the taxpayer was not studying full-time by the monthly equivalent of the tax-free threshold (\$500). If a taxpayer derives income during the income year in which the taxpayer was a full-time student, the reduced threshold is increased by the amount of income derived up to the standard tax-free threshold for the year.

Tax Compliance — Increased Resourcing for the ATO's High Wealth Individuals Taskforce

Additional resources totalling \$82 million over the next four years will be provided to the ATO to maintain tax compliance by high wealth individuals and their associated entities. This funding is expected to raise an additional \$615 million of revenue over the next four years.

This measure will allow the ATO's High Wealth Individual Taskforce to cover the increase in the number of high wealth individuals in recent years. The additional resources will enable the ATO to improve the timely identification of tax compliance risks for the increased number of high wealth individuals and to undertake additional audit activity for all identified high risk cases, including closely-held private company groups.

The additional funding is for the period 2006-07 to 2009-10. However, activity related to this initiative is expected to continue beyond this period.

Deductions for Boat Hire Arrangements

Amendments will be introduced to allow taxpayers who cannot demonstrate that they are actually carrying on a business using a boat to claim deductions for the costs associated with hiring out their boats.

The measure will allow taxpayers who are hiring out a boat but who cannot demonstrate that they are carrying on a business using a boat to:

- Deduct expenditure relating to their boating activity up to the level of income generated from their boat hiring activity and
- Allow any excess deductions to be carried forward and deducted against income generated from that boating activity in future years.

Currently income tax laws impose a strict test for allowing deductions that are related to income-earning activities associated with the use of boats. A taxpayer must be actually carrying on a business using the boat and not merely generating passive income. Currently, where carrying on a business cannot be demonstrated, all receipts from the activity must be returned as income and no expenses can be set off against that income.

The measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

Tax deductibility for the donation of certain publicly listed shares

Taxpayers will be able to claim a tax deduction for the donation to a deductible gift recipients (DGR) of publicly listed shares that have been held for at least 12 months and are valued at \$5,000 or less.

Taxpayers will still be required to pay capital gains tax, or will be able to claim a capital loss, on any donated shares.

This measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

Standardise Compliance for DGRs

The Commissioner of Taxation's power to review DGRs specifically listed DGRs against the terms of their DGR status will be extended to ensure that the DGR's activities align with the purposes and activities that they were listed to undertake.

These powers are consistent with the review powers vested in the Commissioner for DGRs endorsed under the general categories.

The Government and the Parliament will retain the power to approve (or revoke) specifically listed DGRs.

This measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

Tax reductions for Retirement Benefits

Simplification of Superannuation

The Government has proposed substantial changes to the way in which people fund for their retirement and withdraw their benefits. These changes are focussed on the complexity of the superannuation system. As a result a snap shot of the changes proposed from 1 July 2007 are as follows:

- Superannuation benefits paid from a taxed superannuation fund as either a lump sum or pension will be tax free in the hands of retirees over the age of 60
- A person aged less than 60 under the proposed arrangements will remain subject to tax on superannuation withdrawals but under a streamlined regime
- Benefits paid from an untaxed superannuation fund will remain subject to tax, but at lower rates than currently apply
- Reasonable Benefit Limits will be abolished
- Superannuation contributions and fund earnings will remain concessionaly taxed
- Changes will be made to the age based contribution limits to streamline the amount that can be claimed annually by a taxpayer
- The Government claims that the preservation rules will not change in that the preservation age was already scheduled to increase from 55 to 60 in the period 2015 and 2020. What the Government has not told us is that a person that would normally retire at age 55 will now need to defer their retirement until they are aged 60 if they wish to withdraw their benefits tax free.

The Government claims, and rightly so, that the above changes will substantially reduce the level of red tape encountered by those considering their retirement options and those considering making further contributions.

It is also likely that if retirement benefits are received tax free after the age of 60, that this will encourage individuals to remain in the workforce for a longer period of time. Further as retirement benefits will not be included in the retiree's assessable income, this is also likely to encourage a person to remain in some form of employment after they have achieved retirement age.

Increased incentives to save for retirement

In addition to exempting from income tax benefits withdrawn from a fund on retirement, the Government is also substantially enhancing the benefits available for contributors to a superannuation fund. The three main changes in this area include:

- The self employed will be entitled to a full tax deduction for amounts contributed to a fund. Currently self employed people are entitled to a deduction of \$5,000 plus 75% of amounts contributed in excess of that amount up to maximum deduction limited to the age based contribution limit.

- The ability to make tax deductible contributions to a fund will be extended to age 75. Currently deductible contributions are only able to be made for a person up to age 70, and then only if they have satisfied certain work tests.
- The pension assets test taper rate would be halved to \$1.50 per fortnight after 20 September 2007. This change will reduce the disincentive to save to fund for retirement.

Greater flexibility on when to withdraw benefits

There will be greater flexibility on how benefits can be withdrawn. Benefits withdrawn as either pensions or lump sums will be exempt from income tax if received after the age of 60. In addition it would appear that a person will not be required to withdraw their benefits from a fund simply because they have obtained the age of 65 and no longer continue to work a minimum number of hours.

While it may not be the Governments intention, it is possible that this change will result in superannuation benefits being accumulated for the purpose of distribution under an estate plan.

More Small Business Tax Concessions

CGT Small Business Concessions made Easier

CGT exemptions and reductions for small business will be available to more taxpayers with the following changes from 1 July 2006:

- The 50% controlling individual test will be replaced with a 20% significant individual test that can be satisfied directly or indirectly through 1 or more interposed entities. This will allow more small businesses to use these concessions. The Government has stated that the changes will allow up to 8 persons to utilise the small business concessions from a particular entity
- Extend the definition of "active asset" to include assets that were active for the lesser of half the period of ownership or 7½ years and
- Allow small business concessions for disposals of assets by deceased estates where the assets were active assets of the deceased and the disposal is within 2 years of the date of death.

The following small business concessions will apply from 1 July 2007:

- Increase the maximum assets threshold test from \$5 million to \$6 million
- Taxpayers who are in the Simplified Tax System (STS) to be eligible to the CGT small business concessions without having to meet the \$6m asset threshold.

Further Simplifying the STS

The Simplified Tax System (STS) will be available to more taxpayers with the following changes:

- The Average annual turnover threshold will increase from \$1m to \$2m
- Removing the \$3m depreciating asset threshold test
- STS taxpayers can now pay quarterly PAYG instalments on the basis of GDP-adjusted notional tax and
- The Government is considering aligning certain GST definitions of turnover with the STS definition.

Employee Share Schemes

Extension of Qualifying Securities

The income tax and capital gains tax concessions available for employees who participate in qualifying employee share schemes are currently limited to employees who acquire ordinary shares, or rights to acquire ordinary shares.

Currently, the concessions do not extend to stapled securities, such as ordinary shares bound (stapled) to another form of security (units in a unit trust, for example). The Government announced it will extend the income tax and capital gains tax concessions to stapled securities where one of the bundled securities is an ordinary share which is listed on the ASX.

This concession recognises the increasing use of stapled securities in the Australian marketplace. This will take effect from 1 July 2006.

Imputation

Franking Credits and Life Tenants

Recently, the Government issued a press release announcing an amendment to the imputation rules as they apply to testamentary trusts. The Budget Papers reiterate the amendments announced in that press release.

Currently, franking credits received by testamentary trusts on shares held in Australian companies cannot generally be passed on to the life tenants in the trust because of the 45 day rule – the shares are generally deemed to not be held at risk, and therefore the credits cannot flow through to the beneficiaries. In many instances, the trustees of these trusts were forced to make family trust elections.

The amendments announced by the Government will exclude these beneficiaries from the 45 day rule, and therefore allow the trustee to flow the benefits of the franking credits through to the beneficiaries. These amendments will take effect from 1 July 2002. Consequential amendments will also allow trustees to revoke family trust elections in certain circumstances.

Taxation of Trusts

Family Trusts

The government announced a number of changes to the family trust provisions. The Budget Papers note that these changes are designed to increase the flexibility of family trusts.

The Government announced family trust elections and interposed entity elections (which are currently irrevocable) will now be revocable in certain circumstances. These circumstances are not expanded upon, and it is unclear whether these circumstances will include or expand upon the concessions announced in relation to testamentary trusts.

In addition, the definition of “family group” under the family trust provisions will be expanded to allow a greater number of family members to be included in a family trust election (the current definition can be somewhat restrictive). In particular, family trusts will be permitted to make distributions to former spouses of family members and to widows/widowers of deceased family members where the widow/widower has a new spouse (the current provision does not allow these distributions). Linear descendants will also be included in the Family Group. This will take effect in the year in which Royal Assent is received.

Distributions to Non Resident Trustees

The Government announced changes to the way in which distributions from Australian resident trusts to non resident trustees (where the non resident trust is a beneficiary of the Australian trust).

Under the current system, a resident trustee is required to pay tax on trust distributions which it makes to non resident individuals and companies that are beneficiaries in the Australian trust. The non resident individual or company would then lodge an Australian income tax return, and claim a credit in that return for the taxes already paid by the Australian trustee on their behalf.

Distributions to non resident trustees (where the non resident trust was a beneficiary of the Australian trust) were not subject to these requirements. It was therefore possible for certain income to escape tax in Australia where the non resident trustee and the beneficiaries of that trust failed to declare the distributions received from the Australian trust. Under the changes, the Australian trustee will be required to deduct income tax from the distributions made to the non resident trustees in the same fashion that currently applies to non resident individuals and companies. This will take effect from 1 July 2006.

The Ultimate Beneficiary Rules

Trustees of closely held trusts are currently required to identify the ultimate beneficiaries of their trust when the trust makes distributions. This was an integrity measure to allow the Tax Office to match the trust distributions with the ultimate recipients of those distributions where trusts and other entities were interposed between the relevant trust and the ultimate beneficiaries.

In many cases, it was difficult for the trustee to trace through these interposed trusts and entities. In recognition of these difficulties, the Government has announced an amendment to the reporting requirements for ultimate beneficiaries. Under the new rules,

trustees will be required to disclose the identity of the first-tier trusts (i.e. the immediate beneficiary) in a chain of trusts interposed between the trust and its ultimate beneficiaries.

The Government notes that this will reduce the compliance burden on trustees, as well as improve the effectiveness of the disclosures and Tax Office enforcement. This will take effect in the income year commencing after Royal Assent is received.

Business Tax

Increase in diminishing value depreciation rate

In a change designed to help businesses be more competitive, the Government has announced it will increase the diminishing value depreciation rate from 150% to 200% for eligible assets acquired on or after 10 May 2006. The increase in rate is an attempt to bring tax depreciation rates in line with actual economic depreciation of assets. Those who choose to adopt the diminishing value method using the new rate will benefit from increased depreciation rates. These higher rates will provide larger up-front deductions to match the typical rapid decline in value of assets in their initial years of usage. The change to the timing of deductions is likely to have a positive impact on net present values and investment decisions.

Effective life of mining, petroleum and quarrying rights

Recent Draft Taxation Ruling TR 2006/D2 highlighted an anomaly in the treatment of mining, petroleum and quarrying rights under the capital allowance provisions contained in Division 40 of the Income Tax Assessment Act 1997. Under the intangible assets provisions in Division 40, mining rights are depreciated over their effective life, which is specified to be the life of the associated mine. As the law currently stands, the application of the diminishing value provisions to mining rights produces a highly unfavourable result compared with the prime cost method and is not consistent with the treatment of other intangible assets. The reason for this is the requirement for holders of mining rights to use whole effective life rather than remaining effective life in the diminishing value depreciation calculation. As part of the budget announcements, the Government has committed to remedy this anomaly to ensure mining rights are treated consistently with other depreciating assets.

International Tax Changes

Withholding tax on distributions by managed funds

Rather than having to withhold tax on distributions to non-residents at a range of rates, all Australian managed funds and custodians will now withhold tax at the company tax rate, regardless of the identity of the non-resident. This change is designed to simplify things for the managed funds however means that non-resident recipients will need to lodge Australian tax returns in order to claim credits for tax withheld. The changes do not apply to the distribution of dividends, interest or royalties. This will apply from 1 July following Rooyal Assent.

Foreign dividends

Concessions under section 23AJ of the Income Tax Assessment Act 1936, provide that non-portfolio dividends received by Australian companies from non-resident companies are non-assessable non-exempt income and therefore not subject to tax in the hands of the Australian recipient. Although not an intended consequence of the changes made to section 23AJ in 2004, it happens that portfolio dividends derived by an Australian resident indirectly through a controlled foreign company are also treated as non-portfolio dividends and therefore free from tax in the hands of the Australian recipient. The Government has announced it will make changes to the definition of 'non-portfolio dividend' to, amongst other things, align it with economic ownership and therefore remove this unintended outcome.

Venture Capital Given a Boost

PDF's to be replaced by ESVCLP

The current pooled development fund (PDF) programme will be replaced with the early stage venture capital limited partnership (ESVCLP) investment vehicle, which will provide a flow through tax treatment and complete tax exemption for income and capital gains for both domestic and foreign limited partners.

To qualify the ESVCLP must have a maximum fund size of \$100m and total assets of investee companies not exceeding \$50m immediately prior to investment by the ESVCLP. The ESVCLP must divest itself of any holdings once the total assets of the investee company exceed \$250m.

VCLPs also Enhanced

The existing "venture capital limited partnership" (VCLP) program will be enhanced with the following changes:

- VCLP's will be able to invest in unit trusts and convertible notes as well as shares
- Relaxing the requirement for 50% of employees and assets to be in Australia
- Removing the restrictions on the country of residence for the investors and
- Reducing the minimum partnership capital contribution to \$10m.

More Research and Development Concessions

R&D Tax Offset Concession

The R&D Offset concessions have been relaxed as follows:

- The rights of appeal for the R&D offset will be extended
- The period when a claim can be lodged will be extended
- R&D expenditure by a registered research agency will be eligible for the R&D offset and
- All companies in a group may claim the R&D offset, when eligible.

R&D 175% Tax Deduction

The premium 175% tax deduction will be improved as follows:

- Allow the allocation of the 175% deduction to those companies in the group that have increased their R&D expenditure over 3 years and
- The deduction requirement test will match the group expenditure.

Fringe Benefits Tax

Reduction in Rate

The fringe benefits tax rate will reduce from its current level of 48.5% to 46.5% with effect from 1 April 2006.

This rate reduction recognises the reduction of the highest personal income tax rate, against which the FBT rate has traditionally been benchmarked.

Increase in the In-house Benefits Tax Free Threshold

Under the current FBT legislation, employees are able to receive \$500 worth of in-house fringe benefits free of fringe benefits tax. In-house fringe benefits are goods and services provided to employees which are similar to the goods and services which the employer provides to the public in the ordinary course of its business.

The Government announced an increase in the threshold to \$1,000 with effect from 1 April 2007.

Increase in the Minor Benefits Exemption Threshold

Under the current FBT legislation, benefits with a value of \$100 or less, which are infrequently provided to employees, are exempt from fringe benefits tax.

The Government announced an increase in the threshold to \$300 with effect from 1 April 2007.

Increase in the Reportable Fringe Benefits Exclusion Threshold

Under the current FBT legislation, employers are required to report, on an employee's PAYG payment summary, the grossed-up value of fringe benefits received by the employee where the non grossed-up value of the benefits received by the employee exceeds \$1,000.

The Government announced an increase in the threshold to \$2,000. However, the announcement is somewhat confusing, as the Budget Papers refer to an increase in the threshold to \$2,000 grossed-up fringe benefits. Presumably, the increase is in the non grossed-up value of the benefits. This will take effect from 1 April 2007.

Anti-avoidance Measures

Promoter Penalties

The Government recently passed legislation containing penalties designed to deter the promotion of tax exploitation schemes. These new provisions penalise those who play a substantial role in the marketing or encouragement of schemes and receive consideration for their efforts. It also impacts those whose conduct results in others becoming promoters of schemes. The new rules were due to apply to schemes promoted on or after 1 July 2004. Instead, they will now apply to schemes promoted on or after 6 April 2006.

Indirect Tax Changes

Summary

While there were no major (budget) changes in the area of indirect taxes, particularly GST, it is interesting to note that GST collections are budgeted to increase by (approximately) twice the rate of anticipated inflation over the next 4 years. This is interesting considering GST was originally promoted as a tax whose collections (according to the Treasurer) moved with (not at twice) the inflation rate.

Almost \$50 million in additional funding has been allocated to ATO collection services to ensure this windfall materialises.

There is a clear message here for all small to medium businesses (the biggest payers of GST): get the accounting and the tax treatment right.

GST - Additional ATO GST Audit Budget

The Treasurer announced that the ATO is to be given an additional \$46.4 million over the next 3 years to fund additional compliance activities. The additional funding is expected to generate an additional \$190.2 million in GST collections.

GST - Public Ancillary and Prescribed Funds Concession

The Treasurer announced that non-charitable public ancillary and prescribed private funds (i.e., trusts established to provide funds to Deductible Gift Recipients (DGR)) are to be given the opportunity to register and operate as enterprises for GST purposes (effective 1 July 2005).

Under current rules, if funds are provided to non-charitable DGR entities, the entities providing the funds are unable to claim input tax credits or access concessions that are available to charitable trusts. The effect of the amendments will be to put these non-charitable entities on the same footing as charitable entities for GST purposes.

GST – Extension of Range of Personal Aquatic Survival Skills Courses that will attract GST-free Treatment

The Treasurer announced an extension to the range of personal aquatic survival skills courses that will qualify for GST-free treatment.

Under the new rules, GST-free treatment will apply to all courses provided by instructors that hold certificates in certain competencies recognised by the Australian Quality Training Framework.

GST – Small Business Concession

The Treasurer announced the Government's proposal to align the STS / GST definitions of "turnover".

Further, and arguably the most significant indirect tax announcement in the Budget, the Treasurer announced a proposed increase in the cash accounting turnover threshold from \$1 million to \$2 million (effective for the 2007/08 financial year).

Diesel Fuel – Additional ATO Compliance Budget

The Treasurer announced the Government's intention to provide an additional \$37 million to the ATO to fund administration of the proposed new fuel tax credit arrangements.

The new fuel tax credit system is progressively being implemented from 1 July, 2006 with final changes taking effect from 1 July 2012. The new system will replace the existing system with a single system of fuel tax credits that will be claimable via the Business Activity Return (BAS) lodgement process.

Diesel Fuel – One-off Fuel Excise Relief Payment for Victims Affected by Cyclone Larry

The Treasurer announced a special one-off fuel excise relief payment to support households and businesses affected by Cyclone Larry that are generating their own electricity.

Under the scheme, affected households will receive \$280 a month while affected businesses will receive a flat payment of \$560 per month.

Wine Equalisation Tax (WET) – Increase in Producer Rebate

The Treasurer announced an increase in the WET producer rebate to a maximum rebateable amount of \$500,000 effective 1 July 2006. This compares to the current maximum rebateable amount of \$290,000.

The changes will effectively mean that the first \$1.7 million dollars of domestic wholesale wine sales by eligible wine producers will be exempt from WET each year.

Customs Duty – Extension of Aircraft Tariff Concession

The Treasurer announced the Government proposed to extend the aircraft tariff concession to allow duty free importation of parts used in the modification of aircraft. This change is proposed to take effect from 1 July 2006.

State / Federal Relations – Agreement on Abolition of States Taxes

The Treasurer confirmed agreement had been reached with each of the States and Territories on a timetable for abolition of most identified 'inefficient' state taxes in accordance with the Intergovernmental Agreement.

This is expected to translate into a saving for taxpayers of \$4.4 billion over the next 4 years.

The Treasurer also indicated that the Federal Government remained committed to pursuing the abolition of the one remaining identified 'inefficient' state tax – stamp duty on business conveyances of real property.

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