

Government's response to the Henry review

On Sunday, the Government announced a range of proposals in response to the much anticipated Henry review of taxation.

If legislated, many Australians will benefit in the long term.

Summary of key proposals

The key proposals announced by the Government include:

- the minimum superannuation guarantee (SG) contributions you can receive from an employer will increase gradually from 9% to 12% of salary, starting from 1 July 2013
- the age to which you could receive SG contributions from an employer will increase from 70 to 75 from 1 July 2013
- if you earn up to \$37,000 pa, the Government may make a super contribution of up to \$500 pa from 1 July 2012 to refund the tax payable on concessional¹ super contributions
- the cap that applies to concessional super contributions from 1 July 2012 will no longer halve from \$50,000 to \$25,000 pa, if you're aged 50 or over at that time and your total super balance is below \$500,000
- the company tax rate will gradually reduce to 28% by 1 July 2014 (and two years earlier if you have a small business), and
- generous depreciation rules will apply to small businesses from 1 July 2012.

The Government also indicated it "will have more to say on a number of other areas considered by the review, especially making tax time simpler for everyday Australians, improving incentives to save and improving the governance and transparency of the tax system" in the coming months.

Superannuation changes

SG rates to increase

From 1 July 2013

Currently, if you're an employee, your employer is generally required to make SG contributions of 9% of your salary into your super account each year.

Starting in the 2013/14 financial year, the contribution rate will gradually increase to 12% pa, as outlined in the table below.

This measure could make a significant difference to the value of your super over your working life.

Year	Proposed SG contribution rate
2013/14	9.25%
2014/15	9.50%
2015/16	10.0%
2016/17	10.5%
2017/18	11.0%
2018/19	11.5%
2019/20	12.0%

SG age limit to increase

From 1 July 2013

Currently, you receive SG contributions from an employer until you reach age 70.

From 1 July 2013, employers have to pay SG contributions up to age 75. This change could provide an incentive to stay in the workforce longer to boost your retirement savings.

Contributions tax refund

From 1 July 2012

From 1 July 2012, if you earn up to \$37,000 pa, the Government will make a super contribution equivalent to 15% of the concessional¹ contributions you make or receive, subject to a maximum payment of \$500.

If eligible, this measure effectively means you won't pay contributions tax on any SG contributions you receive from an employer and certain other amounts.

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Concessional contribution cap increase

From 1 July 2012

From 1 July 2012, the cap that applies to concessional¹ super contributions you make, or receive at age 50 or over, was scheduled to halve from \$50,000 to \$25,000.

The Government proposes this cap remain at \$50,000, provided the total super account balance is under \$500,000.

Concessional contribution cap for people aged 50+	Current cap	Proposed cap if < \$500,000 in super
Up to 30/6/2012	\$50,000	\$50,000
From 1/7/2012	\$25,000	\$50,000

If eligible, this measure:

- could enable you to make larger concessional super contributions without incurring a tax penalty
- may make the popular 'transition to retirement' strategy more attractive, and
- may provide an additional incentive for splitting super contributions with your spouse if they have a lower super balance.

Taxation changes

Company tax rate to decrease

From 1 July 2012

The company tax rate will reduce from 30% to 29% from 1 July 2013, and to 28% from 1 July 2014.

Additionally, if you run a small business through a company, the 28% tax rate will apply from 1 July 2012.

Small business depreciation rule changes

From 1 July 2012

Small businesses will be eligible for an instant write-off of assets worth up to \$5,000 (currently \$1,000). Other assets may be depreciated at either 5% or 30%.

Speak to an expert

To find out more about these measures and the impact they could have on your longer term financial plans, you should speak to your financial adviser.