

Federal Budget 2007/08

Budget offers a little something for most of us

Treasurer Peter Costello's twelfth Federal Budget delivered tax cuts for all taxpayers against a background of solid economic growth, low inflation and a strong employment market.

Superannuation and retirement savings also attracted attention, with the Treasurer announcing a boost to the Government's super co-contributions scheme, which will effectively double the co-contribution for the 2005/06 financial year.

And in an initiative announced earlier this year, the Government is introducing transitional rules covering personal super contributions for people aged 64 or 74 between 10 May and 5 September 2006.

Other Budget-related benefits for older Australians include a one-off tax-free bonus of \$500 for eligible seniors.

Income tax cuts for all taxpayers

All taxpayers will receive tax cuts flowing from changes to income tax thresholds that begin to take effect from 1 July 2007, with further adjustments due from 1 July 2008:

- 30 per cent threshold rises to \$30,001 on 1 July 2007
- 40 per cent threshold rises to \$80,001 on 1 July 2008
- 45 per cent threshold rises to \$180,001 on 1 July 2008

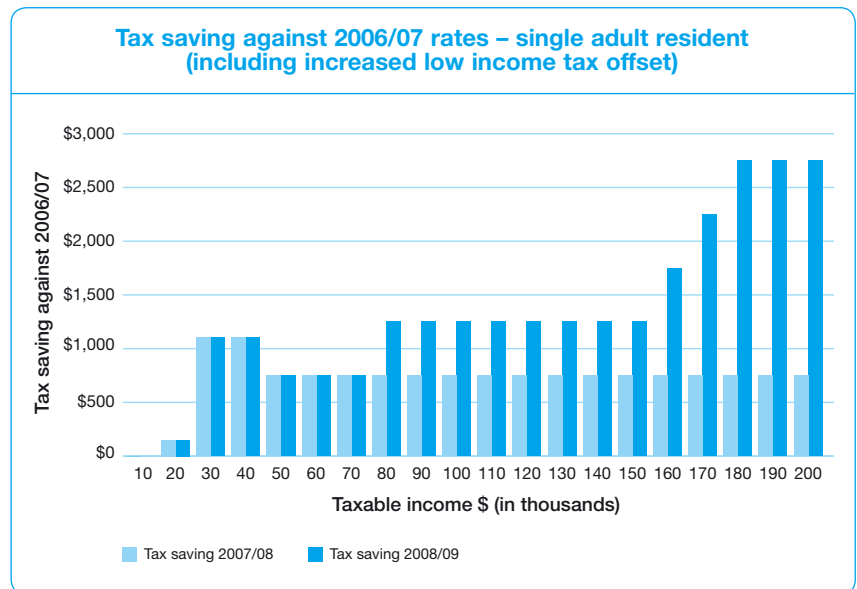
What does this mean for you?

The proposed new tax thresholds and marginal tax rates are as follows:

Current rates thresholds		New tax thresholds from 1 July 2007		New tax thresholds from 1 July 2008	
Tax rate %	Tax thresholds income range \$	Tax rate %	Tax thresholds income range \$	Tax rate %	Tax thresholds income range \$
0	0 – 6,000	0	0 – 6,000	0	0 – 6,000
15	6,001 – 25,000	15	6,001 – 30,000	15	6,001 – 30,000
30	25,001 – 75,000	30	30,001 – 75,000	30	30,001 – 80,000
40	75,001 – 150,000	40	75,001 – 150,000	40	80,001 – 180,000
45	150,001 +	45	150,001 +	45	180,001 +

How much tax will you save?

The chart below shows the tax savings resulting from the changes for a range of incomes.



Increase your super via extra Government co-contributions

People who took advantage of the Government's super co-contributions scheme in the 2005/06 financial year to boost their super savings are set to receive further Government help. If you were eligible, and made after-tax personal super contributions which attracted a Government co-contribution, you'll receive a one-off super payment doubling that co-contribution.

For instance, if your co-contribution was originally \$1,500, you'll receive an extra \$1,500, bringing your co-contribution total to \$3,000. In most cases the additional money will be paid to super funds before 30 June 2007.

If you didn't participate in the scheme in 2005/06, you won't be able to benefit from the co-contribution doubling initiative. However, you may be able to receive a Government co-contribution for 2006/07.

If you earn less than \$58,000 a year and haven't yet taken advantage of the super co-contributions scheme, you should consider the benefits of making personal contributions to your super. Speak to your financial adviser for more information about the scheme.

Incentives for older Australians

Transitional arrangements for super contributions

The Government is introducing transitional rules covering personal super contributions for people aged 64 or 74 at any time between 10 May and 5 September 2006. Under these rules, contributions can be made until 30 June 2007 by a person:

- aged 64 between 10 May and 5 September 2006, without having to satisfy the work test, or
- aged 74 between 10 May and 5 September 2006, as long as the work test is met in either the 2005/06 or 2006/07 financial years.

Currently, people aged under 75 would need to satisfy a work test of 40 hours in a consecutive 30-day period in the year in which they wanted to make their personal super contribution.

This initiative was previously announced by the Minister for Revenue and Assistant Treasurer on 7 February 2007.

Tax benefits for retirees

Retirees aged under 60 who receive income from an allocated pension are set to benefit from an increase in their effective tax-free threshold. For an individual whose only income is from an allocated pension, the effective tax-free threshold will jump from \$32,895 to \$38,684 on 1 July 2007.

From 1 July 2007, all pension income paid to individuals aged 60 or more will be tax-free.

Seniors bonus payment

A one-off tax-free bonus of \$500 will be paid by 30 June 2007 to anyone who qualified for the Utilities Allowance or Seniors Concession Allowance on Budget night (8 May 2007).



For more information about the implications of the Federal Budget for your own personal circumstances, speak with your financial adviser.