

The Health Super Report

12 May 2010

Federal Budget 2010

The Federal Budget for the 2010 – 2011 Financial Year was announced by the Government on Tuesday 11 May 2010.

Some of the changes announced in the Federal Budget were also included in the Henry Tax Review on 2 May 2010.

This newsletter provides an overview of the changes impacting the Health and Community Services sector, Superannuation and other major changes announced in the Federal Budget 2010.

All the proposed changes must be passed by both the House of Representatives and the Senate before they are written into law.

1. Health Reform

The Government will build an extra 23 GP super clinics, on top of the 36 already promised and extend services at a further 425 GP clinics. GP surgeries will get an extra 4,600 practice nurses.

As part of its strategy to encourage doctors to widen the scope of their services, the Government will also provide grants to general practices to enable them to extend their premises to accommodate trainees and practice nurses. Practices will receive \$25,000 towards the cost of registered nurses and \$12,500 towards the salaries of enrolled nurses, with up to five full-time nurses per practice.

Aged care nurses have gained \$59.9 million in incentives to upgrade qualifications and \$21 million to fund 600 new training places and 300 scholarships over four years.

The Government announced a scheme to set up a national network to co-ordinate primary care services in local communities. Under the 'Medicare Locals' initiative, calls to a general practitioner after hours will be directed to a national healthcare call centre, which can direct patients to an after-hours GP service. The Medicare Locals will also co-ordinate the care of patients discharged from hospitals.

2. Changes to superannuation

Superannuation Guarantee (SG) contribution paid by employers to their employees to increase to 12% by 2019-20

The 9% compulsory super paid by employers will gradually increase to 12% from 2013.

It will increase by 0.25% for the first two years, then 0.5% a year so the full 12% will not be paid until 2019.

Year	SG Amount (%)
2010-11	9
2011-12	9
2012-13	9
2013-14	9.25
2014-15	9.5
2015-16	10
2016-17	10.5
2017-18	11
2018-19	11.5
2019-20	12

For an average 30 year old worker, this could amount to as much as \$108,000 extra for their retirement¹. If that worker was a woman with an 'interrupted work pattern', she would receive an additional \$78,000 in superannuation.

Low income earners super concession of up to \$500

A tax offset of up to \$500 is proposed to be paid to the super accounts of low-income earners to boost their savings and address the inequity by which those on the 15% marginal tax rate receive no tax benefits from super.

From July 2012, the Government proposes to pay 15% of the concessional contributions made on behalf of employees earning less than \$37,000 p.a. – effectively offsetting the 15% super contributions tax.

The payment will be made at the end of each financial year on the basis of information contained in tax returns.

SG extended to 75 year olds

To encourage people to work longer due to the ageing population, the SG age limit is proposed to rise from 70 years to 75 years of age. This change will have effect from 1 July 2013, coinciding with the increased rate of SG contributions. This means that workers over the age of 70 years will be eligible to receive SG payments from their employer.

The annual cap on non-concessional contributions will remain at \$150,000 p.a. for people aged less than 75 years. Those under age 65 can still spread contributions worth \$450,000 over a 3 year period.

Workers aged over 50 to make additional concessional payments into their superannuation

The Government has proposed to extend the transitional \$50,000 cap on concessional contributions made on behalf of people aged over 50. From 1 July 2012 this will only apply to people with super accounts worth less than \$500,000. Those with more super will be limited to the \$25,000 cap that applies to the under 50's from this date.

Changes to the superannuation Co-contribution

The Government Co-contribution will be permanently reduced to \$1,000 (i.e. will not change from the current Co-contribution rates). There will be no indexing of the income thresholds that qualify for the Co-contribution for the next two years.

The Co-contribution rates will continue as per the table below until 2012:

Accessible income \$	Minimum personal contribution \$	Co-contribution received \$
31,920 or less	1,000	1,000
35,000	897	897
40,000	730	730
45,000	564	564
50,000	397	397
55,000	230	230
61,920	Not eligible	Not eligible

Key contact details

Health Super is always keen to speak directly with its members, employers and stakeholders.

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3. Other significant changes

Personal Tax Rates reduced

Already scheduled tax changes mean that from July 1 2010, some people's marginal tax rates will reduce. The table below outlines the old and new tax thresholds:

Marginal Tax Rate thresholds until 30 June 2010		Marginal Tax Rate thresholds from 1 July 2010	
Tax (%)	Income (\$)	Tax (%)	Income (\$)
0	0 – 6,000	0	0 – 6,000
15	6,001 – 35,000	15	6,001 – 37,000
30	35,001 – 80,000	30	37,001 – 80,000
38	80,001 – 180,000	37	80,001 – 180,000
45	180,000+	45	180,000+

This means for example, that a dual income family that earns taxable income of \$87,000 per year will be \$2,100 better off.

Tax discount on interest earned on savings

A 50% discount will apply to interest earned for deposits with an authorised deposit taking institution such as a bank, credit union or building society. The discount will be limited to the first \$1,000 of interest earned each year. Anyone with a taxable income of less than \$16,000 will not benefit from this discount.

Standard deduction limits

A standard deduction of \$500 will apply to work related expenses and the cost of managing tax affairs from 1 July 2012, increasing to \$1,000 from 1 July 2013. Those taxpayers who wish to claim a greater deduction will still be able to claim their higher expenses in lieu of the standard deduction.

Company tax decreased from 30% to 28%

The company income tax rate will be cut to 28% under the proposed changes. The 2% cut will be phased in from the 2013 – 2014 financial year, when the company tax rate will drop from its current level of 30% to 29%, before dropping to 28% in 2014 – 2015.

Small businesses will get a head start, to be taxed at 28% from the 2012 – 2013 financial year.

Instant asset write-offs for small business

Small businesses will be able to claim a tax deduction for asset purchases under \$5,000 from 1 July 2012. This is up from the current deduction of \$1,000. All other assets – except buildings – will be pooled together and depreciated at 30%.

Resource company tax to increase to 40% on profits

The Federal Government plans to introduce a 40% tax on resources profits from July 2012. The 40% tax would be payable on profits after extraction and exploration costs had been accounted for. The tax will also be deductible for corporate income tax purposes.



1 <http://www.theage.com.au/national/rudd-cashes-in-on-the-boom-20100502-u1hn.html>. Rudd cashes in on the boom Michelle Grattan and Peter Martin, May 3, 2010.

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