



## THE 'NIP AND TUCK' BUDGET

2011/2012 Federal Budget

10 May 2011

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## THE 'NIP AND TUCK' BUDGET

The 2011/2012 Federal Budget was a 'nip and tuck' Budget.

Many of the changes were either because of or justified by the need to improve the workforce participation rate to counter the declining unemployment rate from the current level of 5% to 4.5% by June 2013. Others were simply to fulfil the promise of bringing the budget into surplus.

Some changes were more than cosmetic with a temporary flood and cyclone reconstruction levy set to apply in the 2011/2012 income year to those who earn over \$50,000 (adding \$1.725bn to Government revenues over 5 years). FBT changes will add an additional \$970m over 5 years. And, a few tucks will be made to the tax system with the phasing out of the dependent spouse tax offset and removing the ability for minors to access the low income tax offset on unearned income in order to restrict income splitting.

Some areas of interest to business remained unchanged: the company tax rate reductions announced in the previous Budget remain intact as do some of the small business initiatives. Some extra revenue has been gained by delaying the start of some broader (mostly green) reforms and infrastructure projects, and holding indexation at current levels for family payments.

In the superannuation area, reforms to the excess contributions tax regime may provide some relief (but not this year).

Some of the detail, such as the \$5,000 write-off for small business to purchase a car (replacing the entrepreneurs tax offset), and the FBT changes were announced/leaked ahead of the budget. So, there were few surprises in this budget.

The elephant in the room was the carbon emissions trading scheme, or the lack of it. There is no detail beyond funding for an advertising campaign. This means that when the final shape of the emissions trading scheme is known, the Government will need to release an updated set of figures.

### **Key Budget points include:**

- FBT – statutory formula for valuing car fringe benefits to change to a single statutory rate of 20%
- Flood and cyclone reconstruction levy introduced in 2011/2012 income year on income above \$50,000
- Income splitting targeted – low income tax offset removed for minors on unearned income
- Reforms to excess contributions tax from 1 July 2011
- Reduction in GDP adjustment factor for PAYG instalment taxpayers
- Some companies will be required to report annually on payments made to contractors in the building and construction industry from 1 July 2012. The cleaning industry has also been flagged as a possible compulsory reporting industry.
- As planned, company tax rate will reduce to 29% for small business in 2012/2013

# TAX AND INDIVIDUALS

## Flood and cyclone reconstruction levy

As previously flagged by the Government, the flood and cyclone reconstruction levy will apply to taxpayers with a taxable income over \$50,000 from 1 July 2011.

A 0.5% levy will apply to individuals with taxable income of between \$50,001 and \$100,000 in the 2011/2012 income year. A 1% levy applies to taxable income above \$100,000. Exemptions are expected to apply to:

- Australian Government Disaster Recovery Payment (AGDRP) recipients in 2010/2011;
- Those affected by a disaster declared by the National Disaster Recovery and Relief Arrangements and would have qualified for an AGDRP;
- NZ non-protected special category visa holders who received an ex-gratia payment for a disaster that occurred in 2010/2011.

The measure is expected to apply to the 2011/2012 income year only and is estimated to raise \$1.725 billion between 1 July 2011 and 30 June 2013.

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<b>Date of effect</b>	1 July 2011
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### More information

- [Media Release – Rebuilding after the floods](#) (27 Jan)

## Dependent spouse offset phased out

From 1 July 2011, the dependent spouse offset will be phased out for taxpayers with a dependent spouse born on or after 1 July 1971 (40 years of age or less). The phasing out of the offset is expected to generate \$755 million by 30 June 2015. The Government points out that the DSTO has its origins in the ITAA 1936 at a time when a breadwinner was expected to 'maintain' a spouse even without children, and there were limited employment opportunities for women. They no longer see this as relevant.

Taxpayers with an invalid or permanently disabled spouse, supporting a carer, or people who are eligible for the zone, overseas forces and overseas civilian tax offsets are unaffected by this change.

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<b>Date of effect</b>	1 July 2011
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### More information

- [Media release – phasing out of the dependent spouse tax offset](#) (10 May)

## Income splitting targeted – minors unable to access LITO on unearned income

In a move designed to target income splitting between adults and children, minors will not be able to access the low income tax offset (LITO) to reduce tax payable on their unearned income, such as dividends, interest, rent, royalties and other income from property, from 1 July 2011. Unearned income of minors who are orphans or disabled, as well as compensation payments and inheritances received by minors, will not be affected by this measure.

The Assistant Treasurer noted that increases in the LITO over the last 10 years have been accompanied by increased distributions of tax-free income to children, especially from discretionary trusts.

The change will generate an ongoing revenue gain for the Government of \$740 million over 5 years.

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<b>Date of effect</b>	1 July 2011
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### More information

- [Media release – changes to the low income tax offset for non-work income of minors](#)

## No deductions against government assistance payments

In response to the recent High Court decision in *FCT v Anstis* [2010] HCA 40, the Government will amend the tax legislation to ensure that taxpayers cannot claim deductions against government assistance payments from 1 July 2011. In the Anstis case the High Court allowed a student to claim self-education expenses against Youth Allowance.

Students in receipt of Youth Allowance (Student) will still be able to claim a deduction for self-education expenses incurred in the 2011 income year. For each of the years 2006/07 to 2009/10, the Commissioner has previously determined that eligible taxpayers will be able to receive an automatic deduction of \$550 or make higher claims if their self-education expenses can be substantiated.

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<b>Date of effect</b>	1 July 2011
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## Bringing forward of the low income tax offset

As previously announced, the Government will increase the amount of the Low Income Tax Offset (LITO) that is delivered through regular payments of salary and wages from 50% to 70% of their total entitlements (the remaining 30% is paid as a lump sum in the taxpayer's tax return). The total LITO entitlement remains unchanged.

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<b>Date of effect</b>	1 July 2011
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### More information

- [Media release – Help for Australian families on lower incomes](#) (9 May)

## Increase to Medicare low income thresholds

The Medicare levy low income thresholds will increase to \$18,839 for individuals and \$31,789 for families. The additional amount of threshold for each dependent child or student will also increase to \$2,919. And, the Medicare levy threshold for single pensioners below Age Pension age will increase to \$30,439.

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<b>Date of effect</b>	1 July 2010
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### More information

- [Media release – keeping low income earners exempt from Medicare levy](#)

# SUPERANNUATION

## Excess contributions tax changes

Individuals who breach the concessional contributions cap by up to \$10,000 can request that these excess contributions be refunded to them from 1 July 2011. The refund option will only apply to first time breaches of the concessional caps.

Taxpayers affected will have the option to take excess concessional contributions out of their superannuation fund and have it assessed at their marginal rate of tax, rather than incurring a potentially higher rate of excess contributions tax.

Currently, excess concessional contributions are taxed at 31.5%, in addition to 15% tax when contributions are made to the fund.

This change will impact on expected revenue from the excess contributions tax by \$19.9 million over 5 years.

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<b>Date of effect</b>	1 July 2011
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### More information

- [Media release - Superannuation - reform of excess contributions regime gives Australians new powers to request refunds](#) (10 May)

## Higher caps for over 55s

Clarifying the 2010/2011 budget announcement, the Government will set the higher concessional superannuation contributions cap for eligible individuals aged 50 and over with total superannuation balances of less than \$500,000 to \$25,000 above the general concessional cap.

The general concessional contribution cap is set at \$25,000. When it increases due to indexation, the higher cap will increase by the same dollar amount.

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<b>Date of effect</b>	1 July 2012
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## Minimum payment amounts for account based pensions

In previous years (2009 to 2011), the Government halved the minimum pension payment amounts. From 1 July 2011, the Government will start phasing down the minimum pension drawdown relief back to pre-GFC levels.

Minimum payment amounts for account based, allocated and market linked (term allocated) pensions will be reduced by 25% for 2011/2012 and will return to normal in 2012/2013.

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<b>Date of effect</b>	2011/2012 income year
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## **Implementation of stronger super measures**

Over \$40 million has been allocated over five years to the ATO and \$8.4 million to ASIC to implement a range of Stronger Super changes and reforms.

Offsetting this cost will be an increase to the SMSF levy by \$30 from the 2010/2011 income year to \$180 and the introduction of Auditor registration fees from 1 July 2012.

## **Super co-contribution indexation frozen**

The Government will continue to freeze the indexation applied on the income threshold above which the maximum superannuation co-contribution begins to phase down. The matching contribution will remain at up to \$1,000 for people with incomes of up to \$31,920 (with the amount available phasing down for incomes up to \$61,920), until at least 30 June 2013.

## SMALL BUSINESS

### Accelerated deduction for motor vehicles

As announced on 8 May, the Government will enable small business to claim up to \$5,000 as an immediate tax deduction for motor vehicles. The remainder of the motor vehicle value will be added to the general small business depreciation pool (depreciated at 15% in the first year and then 30%).

This measure is in addition to the previously announced immediate write off for new business assets worth less than \$5,000 from 2012/2013.

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<b>Date of effect</b>	2012/2013 income year
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- [Media release – Supporting Australian small business](#) (8 May)

### Abolition of the Entrepreneurs' Tax Offset

The Government has stated that the ETO is poorly targeted and complex. The ETO will be abolished from the 2013 income year to make way for other small business incentives. The abolition of the ETO will save the Government \$365 million by 30 June 2015.

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<b>Date of effect</b>	2012/2013 income year
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#### More information

- [Media release – Making Australia's tax system simpler and fairer](#) (10 May)
- [Media release – Supporting Australian small business](#) (8 May)

# FRINGE BENEFITS TAX

## Car fringe benefit changes – statutory formula method rates replaced

The Government will replace the current rates that apply when using the statutory formula method to determine the taxable value of car fringe benefits with a single rate of 20% that will apply regardless of the distance travelled. The change directly targets salary sacrificed and employer provided vehicles.

The measure applies from Budget night and will be phased in over four years:

Distance travelled during FBT year	Statutory rate (multiplied by the cost of the car)				
	Existing contracts	New contracts entered into after 7:30am, 10 May			
		From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 – 15,000 km	0.26	0.20	0.20	0.20	0.20
15,000 – 25,000 km	0.20	0.20	0.20	0.20	0.20
25,000 – 40,000 km	0.11	0.14	0.17	0.20	0.20
40,000 + km	0.07	0.10	0.13	0.17	0.20

Compared to the current statutory rates, a single rate of 20% will:

- increase the tax concession provided for vehicles driven less than 15,000 kilometres a year;
- maintain the current tax concession provided for vehicles driven between 15,000 and 25,000 kilometres a year; and
- decrease the tax concession provided for vehicles driven more than 25,000 kilometres a year.

The operating cost or log book method remains unchanged and will become much more attractive for employees who undertake a significant amount of work related travel.

<b>Date of effect</b>	New contracts entered into from 7:30pm AEST, 10 May 2011
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### More information

- [Media release – Reforms to car fringe benefit rules](#)

## Fly in fly out rules extended for remote areas

Currently, transport from an employee's usual place of residence to their usual place of employment for employees working in remote areas of Australia under fly-in fly-out arrangements is exempt from FBT. These arrangements will be extended to Australian residents working in remote areas overseas.

<b>Date of effect</b>	1 July 2009
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# PAY AS YOU GO

## **Reduction in GDP adjustment factor for PAYG instalment taxpayers**

The GDP adjustment factor for PAYG instalment taxpayers who use the GDP adjustment method will reduce from 8% (which is the rate that would apply for the 2011-12 income year under the current law) to 4% for the 2011/2012 income year. This is intended to apply for a single income year before returning to the statutory rate.

The GDP adjustment factor for PAYG instalment taxpayers increases the previous year's adjusted taxable income by the previous year's nominal GDP growth, to determine the tax instalments to be paid in the income year.

The GDP adjustment method is used by the overwhelming majority of taxpayers required to pay quarterly income tax instalments, mainly small businesses, but also some individual investors, certain trustees and small superannuation funds.

# CAPITAL GAINS TAX

## Scrip for scrip roll-over and the small business concessions

The Government will tighten the scrip for scrip rollover provisions to ensure that trusts, superannuation funds, and life insurance companies are treated the same way as other entities.

The scrip for scrip roll-over integrity provisions apply to transactions where stakeholders in the target and acquiring entities have the potential to influence both entities. Some trusts, superannuation funds and life insurance companies consider the integrity provisions do not apply to them because as the stakeholders, they own the interests for the benefit of others (that is, the beneficiaries), rather than for their own benefit. The Government does not believe this was the intention of the integrity provisions and will make amendments to ensure that they apply effectively to all stakeholders.

A similar issue arises for the small business tax concessions. The Government will make amendments to ensure that trusts will not be able to avoid being treated as connected entities when testing eligibility for the concessions (on the basis that trusts do not own assets for their own benefit).

Under these changes some small businesses will also be able to access the small business CGT concessions because the changes will make their business assets 'active'.

<b>Date of effect</b>	CGT events happening after 7:30pm AEST on 10 May 2011
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## Main residence exemption extension for special disability trusts

The Government will backdate and extend the CGT main residence exemption for special disability trusts to income assessments for the 2006/2007 and later years (the previous budget had made this measure effective from 1 July 2009).

As part of the measures, the Government will also provide a CGT exemption where assets are transferred to a SDT for no consideration, and provide a CGT exemption for the recipient of the principal beneficiary's main residence if it is disposed of within two years of the principal beneficiary's death. Further details outlining this measure are available in the attachment to the media release below.

<b>Date of effect</b>	2006/2007 income assessments
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### More information

- [Media release - Removal of income tax impediments affecting special disability trusts](#) (10 May)

## Trading stock exception for super funds removed

The Government will remove the trading stock exception to the CGT primary code rule for complying superannuation entities for specified assets from Budget night.

The Government is concerned that a small number of superannuation entities are treating shares as trading stock to deduct losses on their shares against income other than capital gains.

This measure ensures gains or losses on specified assets (primarily shares, units in a trust and land) are subject to CGT.

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<b>Date of effect</b>	7:30pm AEST on 10 May 2011
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## Other CGT changes

Other minor amendments with a minor revenue impact were flagged in the Budget. These include:

- Ensuring that the roll-over for the exchange of shares in one company for shares in another company operates properly, so that there is deferral of a profit or loss where the original shares are held on revenue account at the time of the exchange. This change will have effect from 7.30 pm (AEST) on 10 May 2011.
- Amending the roll-over for certain disposals of assets by a trust to allow roll-over relief to apply where a transferee company or trust holds rights, just before the disposal or transfer time, associated with a deed or similar document that is designed to facilitate the transfer of assets into the company or trust. These changes to the roll-over for the disposal of assets by a trust to a company will have effect for CGT events happening after 7.30 pm AEST on 10 May 2011 and the changes to the roll-over for the transfer of assets between certain trusts will have effect for CGT events happening on or after 1 November 2008.
- Ensuring that gains and losses arising from life insurance policies that are generally exempted from CGT are not then taxed under the ordinary income tax provisions by removing the exception to the 'CGT primary code' rule for such gains and losses. These changes will apply to CGT events happening in the 2005-06 income year and later income years.
- Legislating the current Tax Office practice of allowing a testamentary trust to distribute an asset of the deceased person without a CGT taxing point occurring. The income tax law in relation to deceased estates will also be rewritten using a principle based format and minor technical issues relating to deceased estates fixed. These changes will apply to CGT events happening on or after the day the legislation receives Royal Assent.
- Ensure that taxpayers can have a small business participation percentage for the purposes of the small business CGT concessions in situations where shares in a company are held jointly by taxpayers and where a discretionary trust has not made a distribution in an income year because it has a tax loss or no net income for that year.
- Provide the Commissioner with a discretion to extend the two year ownership period in which the trustee of a deceased estate or a beneficiary must dispose of an interest in the deceased's dwelling in order to access either the full main residence exemption or a more favourable partial exemption.

# DEBT/EQUITY RULES

## Closing loop holes for connected entities

The Government will amend the debt/equity tax rules to restrict the application of an integrity provision that deems an interest from an arrangement that funds a return through connected entities to be an equity interest under certain circumstances. As a result, this provision will only apply to arrangements where both the purpose and effect is that the ultimate investor has, in substance, an equity interest in the issuer company. Additionally, the integrity provision will not apply where the Commissioner considers that it would be unreasonable for the provision to apply.

The amendments will apply from the commencement of the debt/equity tax rules (generally 1 July 2001).

<b>Date of effect</b>	Commencement of debt/equity rules
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# GOODS AND SERVICES TAX

## GST instalment system accessible to businesses in a net refund position

The current legislation does not allow a business that is in a net refund position to pay GST by instalments. The Government will extend the current GST instalment system to enable small businesses entitled to more input tax credits on their purchases than GST paid on sales to access the instalment system.

<b>Date of effect</b>	Royal Assent of enabling legislation
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## Treatment of new residential premises

Announced on 27 January, the Government will amend how the GST law applies to supplies of new residential premises.

- from 3 October 2007, new residential premises constructed under development lease arrangements are treated as taxable supplies;
- from 1 July 2000, the granting of individual strata lot leases over newly constructed residential premises is not sufficient by itself to make future supplies of the premises input taxed; and
- from 1 July 2000, any change in property title arrangements will not result in the premises once again becoming new residential premises.

The measures overcome the recent Federal Court decision (*Commissioner of Taxation v Gloxinia Investments (Trustee) [2010] FCAFC 46*) which found that the sale by developers of certain newly constructed residential premises to owner occupiers and investors was input taxed rather than taxable.

<b>Date of effect</b>	1 July 200 and 3 October 2007
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## GST administration changes deferred

Administrative changes to the legal framework for the GST that were to commence from 1 July 2011 have been delayed. These include:

- adopt the income tax self assessment regime for indirect taxes and refresh the period of review;
- reform the change of use adjustments;
- allow adjustments for pre-registration acquisitions;
- clarify the treatment of tax law partnerships;
- simplify the GST grouping membership rules, including grandfathering of current membership rules, and allowing grouping of non-operating holding companies and trusts;
- amending indirect tax sharing agreement provisions; and
- introduce a reverse charge for supplies of going concerns and farmland.

The revised start date will be the first quarterly tax period after Royal Assent, or in some circumstances a later quarterly tax period after Royal Assent.

## OTHER TAX AREAS OF INTEREST

### Phoenix company directors targeted

The Government is seeking to implement a range of measures targeted at directors of phoenix companies:

- the director penalty regime will be extended to superannuation guarantee amounts, making directors personally liable for their company's failure to pay employee superannuation;
- the ATO will be given the power to commence recovery against directors under the director penalty regime, without providing a 21 day grace period, for certain unpaid company liabilities that remain unreported after three months of becoming due; and
- in certain circumstances directors and associates of directors will be prevented from obtaining credits for withheld amounts in their individual tax returns where the company has failed to pay withheld amounts to the ATO.

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<b>Date of effect</b>	1 July 2011
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### Company loss recoupment rule reforms

The company loss recoupment rules will be amended to make it easier for companies to satisfy the continuity of ownership test in certain circumstances.

A company can deduct prior year losses if it satisfies the continuity of ownership test or the same business test. This measure will modify the continuity of ownership test so that ownership does not need to be traced through certain superannuation entities. It will also remove technical deficiencies in the modified rules for widely held entities where:

- an entity is interposed between certain stakeholders and the loss company in certain circumstances;
- an interposed entity demerges;
- an interposed foreign entity issues bearer depository receipts; or
- a corporate change arising from the issue of new shares happens.

This measure will also ensure that all membership interests held in an entity are treated as a single asset for the purpose of applying the low value asset exclusions under the loss integrity rules.

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<b>Date of effect</b>	2011/2012 income year
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### Early access to farm management deposits in natural disasters

Primary producers affected by natural disasters will be able to access their farm management deposits (FMDs) within 12 months of making a deposit while retaining concessional tax treatment under the scheme.

This measure provides the same taxation relief as provided to primary producers affected by severe drought to those who are affected by other types of natural disaster.

The Government is also making minor changes to the administration of the FMD scheme to require more timely and frequent reporting from authorised deposit taking institutions holding FMDs and allow primary producers to hold FMDs with more than one financial institution. Also, where FMD accounts have not been operational for at least 7 years they will be treated as unclaimed monies if the financial institution is unable to contact the FMD holder following reasonable efforts to do so.

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<b>Date of effect</b>	Not stated
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### **International withholding tax arrangements extended**

The list of countries whose residents are eligible to access a reduced rate of withholding tax on certain distributions from Australian managed investment trusts will be updated to include: Belize; the Cayman Islands; the Commonwealth of the Bahamas; the Principality of Monaco; the Republic of San Marino; the Republic of Singapore; St Christopher and Nevis; and St Vincent and the Grenadines.

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<b>Date of effect</b>	Not stated
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# NOT FOR PROFIT SECTOR

## NFP concessional tax status tightened

Not for Profit (NFP) income tax concessions will only apply to profits generated by unrelated commercial activities that are directed back to a NFP entity to carry out its altruistic work. This means NFP entities will pay income tax on profits from their unrelated commercial activities that are not directed back to their altruistic purpose (that is, the earnings they retain in their commercial undertaking).

These unrelated commercial activities will also not have access to the FBT exemptions or rebate, GST concessions, or DGR support.

Commercial activities that further a NFP entity's altruistic purposes, and small scale and low risk unrelated commercial activities, will not be affected by the reforms. Examples of this type of related commercial activity include not-for-profit hospitals, op-shops that sell second-hand household items and clothing at discounted prices to those in charitable need, NFP child care centres, and businesses whose purpose is to provide meaningful employment to disabled persons.

NFP entities with existing unrelated commercial activities will initially be able to continue to use their tax concessions to support these activities until consultation on transitional arrangements and phasing out has been completed.

NFP entities that have entered into a government service delivery contract as at 10 May 2011 will be allowed to use their tax concessions in support of that contract. Likewise, the 50,000 National Rental Affordability Scheme allocations will be unaffected by the tax changes.

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<b>Date of effect</b>	1 July 2011 (affecting new unrelated commercial activity from 7:30pm AEST, 10 May)
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### More information

- [Media release – Making it easier for charities to help those who need it](#)

## Statutory definition of a charity

The Government intends to introduce a statutory definition of 'charity' for all commonwealth laws. The current definition is based on common law.

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<b>Date of effect</b>	1 July 2013
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### More information

- [Media release – Making it easier for charities to help those who need it](#)

## LOOK OUT FOR THE ATO

Each year the ATO is provided with additional funding to tackle key areas perceived to be leaking revenue. The 2011/2012 budget provides for programs aimed at tackling:

- Fraudulent tax returns
- Reporting and accounting of Government grants and payments
- Reporting by business of taxable payments (see below)

### Business to report building and construction contractor payments

Certain businesses will be required to report to the ATO annually on payments made to contractors in the building and construction industry. The Government states that businesses will “generally only be required to report information that they should currently record as part of their existing obligations.” These obligations include payments made and the contractor’s ABN.

The Government has also flagged that a similar reporting regime may be introduced for contractors in the commercial cleaning industry.

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<b>Date of effect</b>	1 July 2012
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#### More information

- [Media release – improving tax fairness and compliance](#) (10 May 2011)

## OTHER AREAS OF INTEREST

### Delay to tax on alternative fuels

As previously announced in January, the Government will delay the introduction of the customs duty on alternative fuels. Transitional tax rates will also apply to gaseous fuels and biodiesel until 2015/2016.

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<b>Date of effect</b>	1 December 2011
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#### More information

- [Press release – Release of exposure draft legislation for the taxation of alternative fuels](#)

### Green Building tax breaks deferred

The planned tax breaks for 'green buildings' that was to take effect from 1 July 2012 will be deferred.

### Training and apprenticeships

The Government has committed to funding or continuing to fund a range of training, education and apprenticeship programs. Some of these include:

- Wage subsidies for job seekers with a disability gain experience and employment. The subsidy for job seekers who have been unemployed for over 12 months provides \$3,000 for employment places for a minimum of 26 weeks at 15 hours or more per week.
- Wage subsidies for the long term unemployed (2 years)
- Accelerated apprenticeships for industries with skills shortages (partnered with industry bodies)
- Apprenticeship mentoring program in industries with skills shortages

### Cutting back Government allowances and spending on incentives

Access to a number of Government allowances has been tightened and spending initiatives provided to move people from welfare into the workforce. Some of these include:

- Deferred introduction of paid paternity leave by 6 months to 1 January 2013.
- Freeze indexation of Family Tax Benefits supplements for 3 years.
- Freeze indexation of upper limits and thresholds of family payments for a further 2 years.
- Changes to the Family Tax Benefit A for dependent 16 to 19 year olds in full time secondary study (removing the need to choose between the FTB and Youth Allowance).
- Limit Family Tax Benefit Part A to children under 21.
- Increased audits of new disability support pension claims and the bringing forward of new and stricter assessment criteria.
- Allow disability support pensioners to work up to 30 hours per week.

- Introduce participation requirements for recipients on the disability pension who are under the age of 35 with some work capacity.
- Eligibility and parental means testing for Youth Allowance extended to 21 (currently 20). Newstart allowance closed to applicants under 22 years of age (currently 21).
- Compulsory participation plans for teenage parents (once child turns 6 months).
- Compulsory participation plans for jobless families.
- Incentives for single parents to join the workforce by adjusting the income test for government payments.
- Increased obligations on the long term unemployed.
- Transitional activities for school leavers who leave before completing year 12.
- Reduction in HECS scheme incentive to pay contribution up front from 20% to 10% from 1 January 2012.
- Bonus on voluntary payments to the ATO reduced from 10% to 5%.

## ECONOMIC OVERVIEW

- Budget deficit forecast of \$22.6 billion in 2011/2012.
- Real GDP forecast to grow 4% in 2011/2012 (3.75% in 2012/2013) mostly from commodity exports and business investment.
- New business investment is expected to boom at 16% in 2011/2012 and 14.5% in 2012/2013 (underpinned by resources sector).
- Wages expected to grow 4% over the coming financial year.
- Inflation (underlying) expected to increase from 2.5% to 3% in June 2013.
- Household consumption expected to increase by 3.5% in 2011/2012 and 2012/2013.
- Dwelling investment soft at 1.5% under interest rate pressure.
- Exports expected to grow at 6.5% - again off the back of the resources sector.

## KEY LINKS

- [Budget speech](#)
- [2011/2012 Budget website](#)
- [Treasurer's website](#)

### Key Budget media releases

- [Keeping Low-Income Earners Exempt from Medicare Levy](#)
- [Reforms to Car Fringe Benefit Rules](#)
- [More Help for Australian Small Business](#)
- [Making Australia's Tax System Simpler and Fairer](#)
- [Phasing out the Dependent Spouse Tax Offset](#)
- [Making it Easier for Charities to Help Those Who Need it](#)
- [Superannuation - Reform of Excess Contribution Regime Gives Australians New Powers to Request Refunds](#)
- [Removal of Income Tax Impediments Affecting Special Disability Trusts](#)
- [Changes to the Low Income Tax Offset for Non-Work Income of Minors](#)
- [Improving Tax Fairness and Compliance](#)