



# BUDGET REPORT 2009-2010

## SMALL BUSINESS

### **Small business incentive tax break**

The Government will expand the Small Business and General Business Tax Break. A bonus deduction of 50% will be available to small businesses that acquire an eligible asset between 13 December 2008 and 31 December 2009 and install it ready for use by 31 December 2010. The previously announced 30% and 10% bonuses will continue to apply to all other businesses.

Small businesses only need to invest a minimum of \$1,000 per asset in order to qualify for the Tax Break. Under enhancements to the Tax Break announced in March 2009, they can also amalgamate their expenditure on batches and sets of assets in order to meet this threshold.

To be an "eligible asset", the asset must be a new asset or new expenditure on existing assets. The asset must be a tangible asset for which a deduction is available under the core provisions of Division 40 (Capital Allowances) in the *Income Tax Assessment Act 1997* (ITAA97). Intangible assets or rights such as software are not eligible, nor are non-

depreciating assets such as land and trading stock, nor are capital works and other assets for which deductions can be claimed under other divisions. Eligible assets must be used in carrying on a business in Australia. Where an asset is partly used for private or non-taxable purposes, only the portion that is used for a taxable purpose in carrying on a business will count toward meeting the threshold.

### **Non-commercial loan rules**

To ensure that benefits provided by a private company to its shareholders or their associates are taxed, the rules that prevent shareholders and their associates avoiding tax on benefits they receive from private companies are tightened. The non-commercial loan rules will include payments by way of a licence or right to use real property and chattels. This reduces the scope for private companies to allow their shareholders or associates to use company assets such as real estate, cars and boats for free, or at less than their arm's length value.

### **Non-commercial losses**

Non-commercial losses will be denied to taxpayers with an adjusted taxable income of over \$250,000, with the existing rules to continue to apply to other taxpayers. This is to prevent high income individuals from offsetting excess deductions from non-commercial business activities against salary and other income.

### **Employee share schemes**

There will be an up-front tax exemption for employee share schemes.

### **Carbon Pollution Reduction Scheme**

The start date of the Carbon Pollution Reduction Scheme is delayed to 1 July 2011.

## **Research and Development**

The tax concession will be replaced by an R & D tax credit from 2011. A 45% refundable tax credit for firms with a turnover of less than \$20m will be available. A 40% non refundable tax credit will be available for other businesses. Eligibility rules to determine research and development will be developed in consultation with businesses. The premium concession (175%) and the international concession will be repealed.

## **TRUSTS**

### **TFN withholding**

The tax file number (TFN) withholding arrangements are extended to closely held trusts (which are trusts that generally have fewer than 20 beneficiaries), including family trusts, with effect from the 2010-11 income year. Such trusts will need to withhold amounts from trust distributions at the top marginal rate if taxpayers have not provided their TFN to the trustee. Individuals who have tax withheld by trustees can claim a credit for that tax in their tax returns. The measure will ensure that assessable distributions to beneficiaries of closely held trusts align with the amounts included by these beneficiaries in their tax returns.

### **CGT roll-over**

There will be a limited CGT roll-over for assets transferred between trusts that have the same beneficiaries with the same entitlements and no material discretionary elements (i.e. fixed trusts), with effect from 1 November 2008. Trustees of eligible trusts can defer the CGT consequences of the asset transfer until the receiving trust subsequently deals with the asset.

## **SUPERANNUATION**

### **Concessional Contributions**

The concessional contributions caps, (amounts that can be contributed to superannuation and claimed as a tax deduction) including the transitional cap for over 55s has been halved. The concessional contributions cap is \$25,000 per annum (indexed), from the 2009-10 financial year. The transitional concessional contributions cap (for individuals aged 50 and over) will be reduced to \$50,000 per annum.

### **Co-contributions**

The superannuation co-contribution matching rate is reduced from 150% to 100% for contributions made in the 2009-10, 2010-11 and 2011-12 income years. The maximum co-contributions payable will be \$1,000.

### **Drawdown**

The minimum drawdown amount for account-based pensions will be halved for the 2009/10 income year. This extends the current concession.

### **Australia-New Zealand superannuation portability scheme**

Australia and New Zealand have agreed in principle to allow movement of superannuation benefits between Australian and New Zealand superannuation funds. The final details of the scheme are currently being settled with New Zealand.