

## **GOVERNMENT ECONOMY STIMULUS PACKAGE – December, 2008**

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The Government has announced three key measures to stimulate the economy :

1. Tax Bonus for Working Australians
2. Small Business Investment Break
3. Education Tax Refund

### **1. Tax Bonus for Working Australians**

The bonus payment is available to Australian resident taxpayers who paid tax in the 2007/2008 financial year (after all tax offsets and tax credits).

This means to qualify for the bonus, tax must have been paid in the year. This does not mean a taxpayer must have a liability, rather than a tax refund at the end of the year. It means that a taxpayer's taxable income gives rise to tax having to be paid for the year (even if its only \$1).

The payment thresholds are for taxable incomes :

<b>Taxable Income</b>	<b>Bonus</b>
Under \$80,000	\$900
Between \$80,000 - \$90,000	\$600
Between \$90,000 - \$100,000	\$250

Taxpayers do not need to apply for the bonus – the ATO will automatically make the payment.

***However, the tax bonuses will only be paid to those who have lodged their 2007/2008 return by 30 June 2009.***

The payments commenced in early April 2009. It is recommended that 2007/2008 tax returns be lodged as soon as possible to avoid delays in the processing of the bonus.

If the ATO has the taxpayer's bank details, for income tax purposes, the bonus is paid directly to this account. Otherwise, a cheque will be sent to Ahead For Business Pty Ltd and it will be forwarded to you by mail.

Ahead For Business Pty Ltd  
Level 10, 420 St Kilda Road  
Melbourne Victoria 3004  
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There are several variations to this bonus which include :

<b>Variation</b>	<b>Bonus</b>
Single Income Family	\$900
Farmers' Hardship Bonus	\$950
Back to School Bonus	\$950
Training and Learning Bonus	\$950

The Single Income Family Bonus relates to families with children with one main income earner. These are families who (as at 3 February, 2009) were eligible to receive Family Tax Benefit FTB (Part B).

The Farmers' Hardship Bonus is for farmers and rural-dependent small business owners receiving certain income support and exceptional circumstances relief payments.

The Back to School Bonus relates to families eligible for FTB (Part A) (as at 3 February, 2009) for each eligible child of school age (aged 4 to 18 on 3 February, 2009).

The Training and Learning Bonus has two categories :

- i. the bonus applicable to eligible students
- ii. the additional incentive for social security recipients to return to education and training

## **2. Small Business and General Business Tax Break**

The Government has announced measures to stimulate the economy using a form of investment allowance.

Small businesses (turnover less than \$2m) can claim an additional **30%** tax deduction for eligible assets costing **\$1,000** or more where they are acquired between 13 December, 2008 and 30 June, 2009. The assets must be installed before 30 June 2010.

For eligible assets costing \$1,000 or more that they acquire from 1 July 2009 to 31 December 2009, an additional **10%** deduction can be claimed where installed before 31 December, 2010.

The allowance is in addition to the normal depreciation which is claimable.

Businesses with a turnover of more than \$2 million can receive a similar allowance where eligible assets are greater than **\$10,000**.

Assets eligible are new tangible depreciating assets used in carrying on the business.

Examples of assets which **do not** qualify are:

- Land
- Software
- Construction Expenditure
- Trading Stock
- Capital Building Works
- Cars using per km method

In relation to motor vehicles :

- i. Businesses claiming a deduction based on 12% of original cost of car will qualify for the allowance
- ii. There is a cap on the allowance in line with luxury car limit (currently \$57,180)
- iii. There is no apportionment of the allowance for a personal use element but the asset must be primarily for business use ie more than 50%.

Also included are R & D assets whose depreciation is claimed under the Small Business Entity Rules.

The allowance applies only to new assets (though demonstration vehicles do qualify provided they have not been previously registered).

The Investment Allowance applies to depreciating assets under Division 40 of the Income Tax Act. Some assets are excluded such as intangible rights (eg. prospecting rights) and leasehold improvements. It is essential that, before acting, you contact us to confirm that intended purchases do quality.

Purchased software currently does not qualify for the Investment Allowance although the Government is being lobbied to include this.

In the case of leasing and hire purchase it is the “holder” of the asset who is eligible for the Investment Allowance. With a general operating lease (rental), the lessor (finance company) not the lessee (business) will, therefore, be eligible for the Allowance.

Relevant dates for Investment Allowance :

<b>Asset Installed By:</b>	<b>New Investment Contracted By :</b>	
	<b>30 June, 2009</b>	<b>31 December, 2009</b>
30 June, 2009	30% in 2008/2009	-
30 June, 2010	30% in 2009/2010	10% in 2009/2010
31 December, 2010	10% in 2010/2011	10% in 2010/2011

### 3. Education Tax Refund

Families eligible for this special refund will be able to claim **50%** refund every year (through the tax return) for key educational expenses :

- i. \$750 per child undertaking primary studies (with a maximum refund of \$375 per child per year).
- ii. \$1,500 per each child undertaking secondary studies (maximum refund of \$750 per child per year)

The refund can apply to many common school items including laptops, home computers, internet connections, printers, educational software, tools, text books and stationery.

It is essential that parents retain all receipts.

Parents who are entitled to Family Tax Benefit (Part A) for primary and secondary school children are eligible for the refunds, as well as parent who would be eligible but for the fact that the child receives certain payments or allowances such as Youth Allowance Disability Support Pension and Austudy Living Allowance.

***If you have any queries in relation to any of the above measures please contact Wendy Hancox or Brian Jones on (03) 9867 7711.***

***This information is general in nature and should not be acted upon without consultation with our office.***