

May 2009

Federal Budget

Key highlights

- Superannuation
- Taxation
- Social security
- Veteran affairs
- Aged care
- Other considerations

Overview

On 12 May 2009, the Federal Government delivered its Budget for 2009/10. With the impact of the global financial crisis firmly entrenched in the Australian economy, it was not expected to be a 'big spending' budget. And to a large extent, this expectation was fulfilled. The Treasurer referred to the 2009/10 Budget as a "nation building budget" and there was a large focus on infrastructure spending, particularly in the areas of transport and health.

From a financial planning perspective the economic environment meant some tough calls had to be made. Indeed, the Treasurer said "this is not an easy budget for easy times. These are complex times."

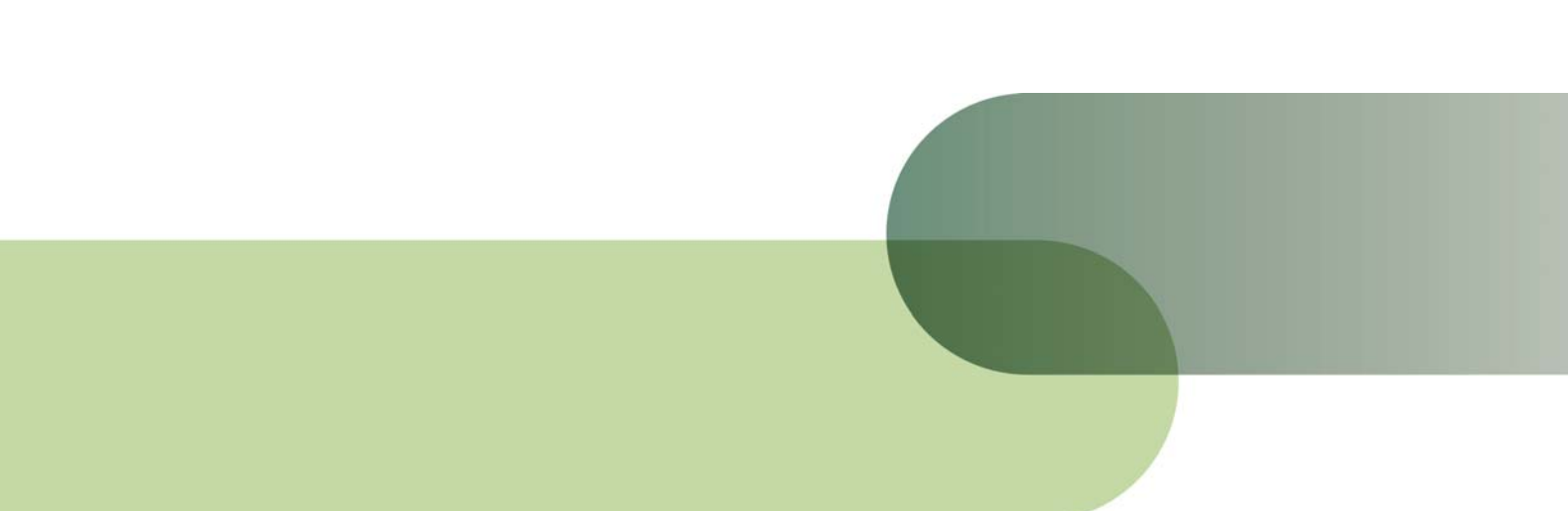
There was a great deal of speculation prior to the Budget about what would and would not be included – some proved correct and some were unfounded.

The abolition of transition to retirement pensions did not occur, nor did any 'surcharge' like tax

surface for higher income earners on their contributions to super. However, the halving of the concessional contribution caps was confirmed and this will have an impact on transition to retirement strategies, and the level of salary sacrificing to be undertaken from 1 July 2009 will need to be reviewed. The level of government co-contributions will also be temporarily reduced to a 1:1 matching basis from 1 July 2009 for three years, increasing slightly for 2012/13 and 2013/14 before returning to the current 3:2 matching from 1 July 2014.

It was pleasing to see that these changes were not of immediate effect from Budget night and that the non-concessional contribution cap was not halved. Whilst missing out on previously announced indexation benefits from 1 July 2009, the cap will remain at \$150,000 (to be legislated as 6 times the concessional cap) for 2009/10 and the three year averaging rules still remain available (currently increasing the cap to \$450,000 over a three year period).

The reduction in personal taxes (through movements in threshold levels and increases in low income tax offsets) announced in last year's Budget were not changed. However, there were a number of changes announced that will have impacts on higher income earners. These include the tiering of the availability of the Private Health Insurance Rebate



together with an increase in the Medicare Levy Surcharge if private health insurance is not taken out. Other measures will cause some foreign employment income to be taxed in Australia when it was previously exempt. Higher income earners and private companies will have tax rules tightened in relation to tax losses.

There were a number of changes announced in relation to the social security regime, which the Government had previously alluded to, including an uplift in the level of Age Pension rates. What surprised many however was the announcement that the qualifying age for the Age Pension will be lifted to 67 by 2023.

Of course, there is a lot of devil in the detail. The Budget papers themselves reveal a number of important changes that were not part of the Budget speech itself. Most measures will still need legislation to be introduced, so the final version of the changes may differ to the announcements made in the Budget. Later this year, the Henry Review of Tax is due to report its recommendations for the review of the overall tax system in Australia, so it's possible there will be another wave of changes at that time

In May 2006 when introducing the Better Super reforms, the then Treasurer Peter Costello was quoted as saying the changes to super would mean people would no longer need to see a financial planner (at least in relation to their super). In the current economic environment, and in light of the changes announced in this year's Budget, it is safe to say it has

never been more important for people to seek and receive quality financial advice that is specific to their individual needs.

If you have any questions about the 2009/10 Budget and its impact on strategies you are employing or considering for your clients, call the Technical Services team on 1800 655 901.

Superannuation

Contribution cap changes

Effective date: 1 July 2009

The Government has announced a reduction in the concessional contribution cap. This measure aims to improve equity in the superannuation system. From 1 July 2009, the concessional contribution cap will be reduced from \$50,000 to \$25,000 per financial year. It will be important to review concessional contribution arrangements in place to ensure clients do not inadvertently breach the revised caps. The reduced cap will continue to be indexed in line with AWOTE in \$5,000 increments.

The transitional contribution cap applies to those individuals aged 50 and over at any time during the transitional period (2007/08 to 2011/12). From 1 July 2009 the transitional concessional contribution cap will move from \$100,000 to \$50,000 per financial year within the transitional period. This cap is not indexed.

The non concessional contribution cap will remain at the legislated level of \$150,000 per financial year. The Government proposes to set the non

concessional contribution cap at 6 times the concessional contribution cap from 1 July 2009.

Certain members with defined benefit interests at 12 May 2009 will have 'grandfathering' arrangements apply (where their notional taxed contributions would otherwise exceed the reduced cap). Similar arrangements were applied when the concessional contributions cap was introduced in 2007.

Reduction in government co-contribution matching rate

Effective date: 1 July 2009

The Government announced a temporary reduction in the matching rate for the government co-contribution measure. These proposals apply for eligible super contributions made on or after 1 July 2009. The proposed measures are outlined below.

	2009-10 to 2011-12	2012-13 and 2013-14	2014-15 onwards
Matching rate	100%	125%	150%
Maximum co-contribution	\$1,000	\$1,250	\$1,500
Cent reduction where in excess of threshold	3.333 cents	4.167 cents	5 cents

Minimum pension reduction extended

Effective date: 1 July 2009

The Government announced that the reduction in minimum annual payment amounts for certain retirement income streams for 2008/2009 will extend to the 2009/10 financial year. The reduction applies to account-based, allocated and market-linked (term allocated) pensions and annuities.

The minimum payment formula has not been changed.

Unclaimed monies to be transferred to the ATO

Effective date: 1 July 2009

The Government has proposed to amend the general unclaimed money regime. The amended regime will apply to payments of unclaimed money due after 1 July 2009. Under the proposals, a superannuation provider will be required to work out their unclaimed money on a date set by the Commissioner of Taxation and pay and report these amounts on a date also set by the Commissioner of Taxation.

Effective date: 1 July 2010

In an attempt to improve the efficiency of the superannuation system, the Government will also require superannuation providers to transfer lost accounts with balances less than \$200 (small accounts), and those which have been inactive for a period of five years and have insufficient records to identify the

owner of the account (the Government has labelled these 'insoluble accounts') to unclaimed monies.

The holders of these accounts will be able to reclaim their money from the ATO.

Trans-Tasman retirement savings portability scheme

Effective date: To be determined

The Government has agreed in principle to establish a 'trans-Tasman retirement savings portability scheme'. The scheme will enable transfers of superannuation savings between certain Australian superannuation funds and New Zealand KiwiSaver funds. The Government has stated that the "establishment of the scheme is consistent with, and supports, the movement toward a single economic market between Australia and New Zealand."

Extension of capital loss roll over provisions for complying superannuation funds

Effective date: 24 December 2008

The Government announced some enhancements to the optional capital gain tax loss roll over provisions for complying superannuation fund mergers where the continuing fund has at least 5 members. The roll over provisions will be extended to 30 June 2011 to ensure funds have sufficient time to utilise the provisions.

Under the proposed measures, merging superannuation entities in a net capital loss position will be able to

elect to roll over assets with accrued capital gains as well as accrued capital losses. The measures will also include pooled superannuation trusts and complying superannuation businesses of life insurance companies.

Taxation

Changes to personal tax rates

Effective date: 1 July 2009 and 1 July 2010

From 1 July 2009, the legislated tax cuts will come into effect. No additional tax cuts were tabled in the Budget.

Current		From 1 July 2009		From 1 July 2010	
Taxable income	Rate	Taxable income	Rate	Taxable income	Rate
0- \$6,000	0%	0- \$6,000	0%	0- \$6,000	0%
\$6,001 - \$34,000	15%	\$6,001 - \$35,000	15%	\$6,001 - \$37,000	15%
\$34,001 - \$80,000	30%	\$35,001 - \$80,000	30%	\$37,001 - \$80,000	30%
\$80,001 - \$180,000	40%	\$80,001 - \$180,000	38%	\$80,001 - \$180,000	37%
\$180,001+	45%	\$180,001+	45%	\$180,001+	45%

Income tax payable at selected taxable income levels (ignoring Medicare levy and tax offsets)

Taxable income	Current tax (08/09)	Legislated tax (09/10)	Legislated tax (10/11)
\$30,000	\$3,600	\$3,600	\$3,600
\$35,000	\$4,500	\$4,350	\$4,350
\$75,000	\$16,500	\$16,350	\$16,050
\$80,000	\$18,000	\$17,850	\$17,550
\$150,000	\$46,000	\$44,450	\$43,450

Increase in the Medicare levy low income thresholds

Effective date: 1 July 2008

The Government has announced new Medicare levy thresholds that are applicable for the current financial year (ending 30 June 2009). These are \$17,794 for individuals (previously \$17,309) and \$30,025 for families (previously \$29,207). The increase on these thresholds for each dependent child or student will be \$2,757.

The low income threshold for pensioners below age pension age has been increased to \$25,299 for the year ending 30 June 2009. This will ensure such pensioners do not pay the Medicare levy when they do not have an income tax liability.

Private Health Insurance

Effective date: 1 July 2010

The Government has announced a rebalancing of the policies that support private health insurance. In an attempt to ensure those with a greater capacity to pay for health insurance do so, high income earners will receive a lower and in some cases no rebate for their private health insurance. To ensure those affected do not abandon their private health insurance, increases have been proposed to the Medicare levy surcharge.

From 1 July 2010, the Government will introduce a 3 tiered approach to determine recipients rebate entitlements. Existing arrangements will remain unchanged for singles with income of less than \$75,000 per

annum and families with incomes of less than \$150,000 per annum. Importantly, the new definition of income for Medicare levy surcharge will be used for this purpose. From 1 July 2009 the definition of income for Medicare levy surcharge purposes will include: taxable income, reportable fringe benefits, reportable employer and personal deductible super contributions as well as total net investment losses.

Note: amounts withdrawn from superannuation to which the low rate cap amount (\$150,000 for 2009/10) has been applied are not included in 'income'.

	Current surcharge thresholds (projected 2010/11)	Tier 1	Tier 2	Tier 3
Singles	\$0 - \$75,000	\$75,001 - \$90,000	\$90,001 - \$120,000	\$120,001+
Families	\$0 - \$150,000	\$150,001 - \$180,000	\$180,001 - \$240,000	\$240,001+
Medicare levy surcharge	Nil	1.00%	1.25%	1.50%
Private health insurance rebate				
Less than 65	30%	20%	10%	Nil
65 - 69	35%	25%	15%	Nil
70 and over	40%	30%	20%	Nil

All income thresholds will continue to be indexed.

Small business tax relief

Effective date: eligible assets acquired between 13 December 2008 and 31 December 2009

As part of previous fiscal stimulus packages, the Government announced that small business (those with a turnover of less than \$2million) would be able to claim a bonus tax deduction for the acquisition of eligible assets, in addition to the usual capital allowance deduction. Initially set as a 10% bonus deduction, and subsequently lifted to 30% for assets acquired by 30 June 2009, the bonus deduction has now been lifted to 50%.

To be an eligible asset for this bonus, the asset must;

- Cost more than \$1,000 (although substantially similar assets may be aggregated in order to reach this threshold),
- Be purchased between 13 December 2008 and 31 December 2009, and
- Be used or installed ready for use by 31 December 2010.

As an example of the benefit this provides, for a small business being conducted through a corporate structure, for every \$1,000 of eligible asset acquired, the total tax relief will be \$1,500 – or \$450 after tax, resulting in an overall after tax cost of \$550 for a \$1,000 acquisition cost.

The increase in the level of bonus deduction and extension of time for asset acquisition provides some relief for small business taxpayers who may have struggled to acquire these assets due to cash flow constraints.

For non-small business taxpayers, the minimum asset threshold to qualify for a bonus is \$10,000 (subject to similar aggregation rules) and the bonus conditions are set out in the following table.

Bonus deduction	Asset purchased between	First used by or installed ready for use by
30%	13 December 2008 and 30 June 2009	31 December 2010
10%	1 July 2009 and 31 December 2009	31 December 2010

Small business CGT relief

Effective date: CGT events happening in the 2006-07 and later income years

Changes have previously been made to ensure that the beneficiary of an asset from a deceased estate (or the estate itself) is eligible to claim small business CGT relief in certain circumstances where the deceased would have been eligible for the relief if they had sold the asset immediately prior to their death.

This form of extended relief is to be made available in situations where the asset has passed through to a testamentary trust.

It will be important to review any asset disposals from these testamentary trusts in the 2006-07 or later income years to ensure the maximum CGT relief has been claimed.

Fringe Benefits Tax relief for donations

Effective date: FBT year commencing 1 April 2008

Amendments will be made to the FBT legislation to ensure that an FBT liability won't arise where an employee chooses to package donations to deductible gift recipient organisations. This will essentially mean there is no tax difference between an individual personally making these donations (the usual case) and people looking to package such donations (the less frequent and previously more costly option).

As an opportunity, it may be a way for people to increase their level of philanthropic giving throughout the year, rather than waiting until a specific time when cash flow may be an issue. Of course, it's important for employees to check with their employer whether such packaging arrangements are available.

Changes to taxation of employee share scheme entitlements

Effective date: Shares or options acquired after 7:30pm, 12 May 2009

In a move which will simplify the treatment of shares or options acquired under employee share schemes, the option to defer the taxation treatment of any discount (ie the difference between the market value of the share/option and amount paid for its acquisition) until a later income year will be removed. As a result, in all cases this discount will now be assessed in the year of grant.

However, where the employee share scheme meets certain criteria, up to \$1,000 of the discount will be exempt from tax but only for individuals with adjusted taxable incomes of less than \$60,000 (previously unlimited).

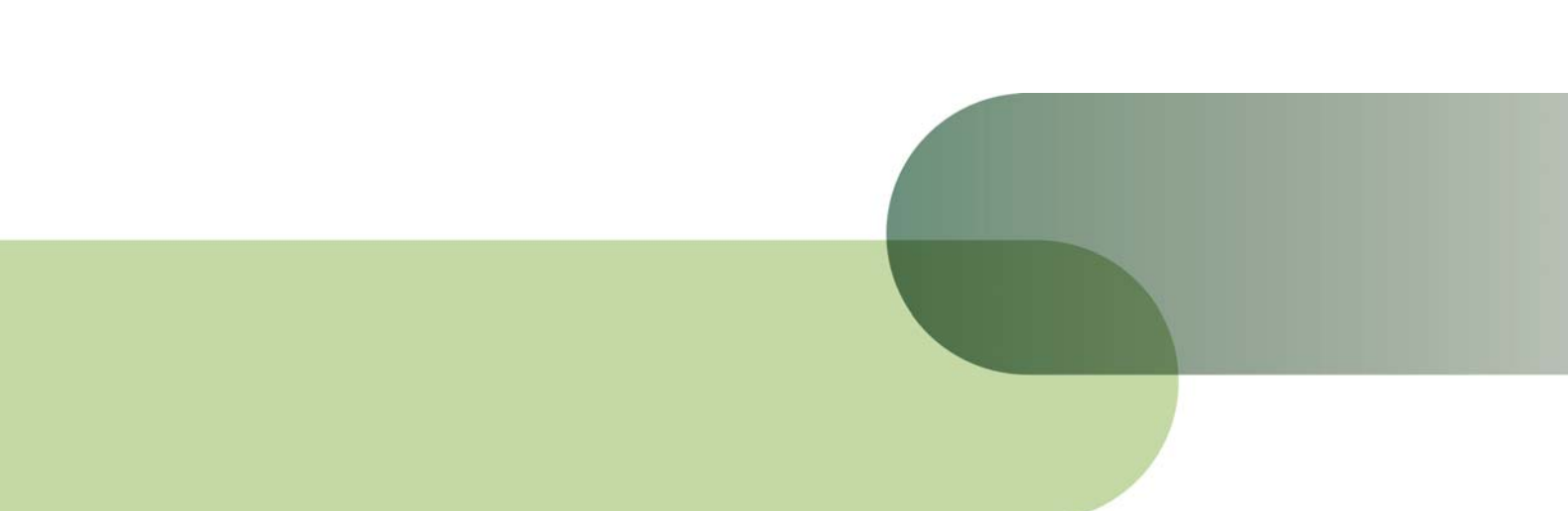
This change will have a significant impact on a number of people, as employee shares are offered by many Australian listed companies, with a general staff entitlement of \$1,000 of shares each year where certain thresholds are met. Under the rules prior to this announcement, this was essentially a tax free bonus to each employee, with the individual only having a tax liability for any future growth in the underlying share/option price. This tax free bonus will now be limited to those with adjusted taxable incomes below \$60,000.

Removal of tax exempt status for foreign employment income

Effective date: 1 July 2009

Under existing tax rules, there is a general exemption from Australian tax for income earned overseas in foreign employment that lasts for at least 91 consecutive days. This general exemption is being removed from 1 July 2009 except where the income is earned as an aid worker, a charitable worker, under certain types of Government employment or on projects that are considered to be in the national interest.

In all other cases, the income will be assessable in Australia, but a tax offset will be given for any tax paid in the foreign country on that income, ensuring there is no double taxation.



This change will have a significant impact for expats (who are still residents for Australian tax purposes), particularly those working in Asia. In many Asian countries, expats are earning significantly high wages, but with local taxes in those countries capped at 15%. Under the new rules, this income will be taxed in Australia with a tax offset for the foreign tax paid. If the foreign income is high enough to place the individual on the highest marginal tax rate (46.5% including Medicare levy), they will now have an additional 31.5% tax liability to pay in Australia.

CGT relief for roll-overs between fixed trusts

Effective date: 1 November 2008

Limited CGT relief will be provided for assets transferred between trusts that have the same beneficiaries with the same entitlements and no material discretionary elements (typically referred to as fixed trusts).

Essentially, this relief will allow for the cloning of an existing fixed trust and the transfer of some assets from the original fixed trust to the newly cloned trust, with any CGT consequences being deferred until the new trust actually disposes of the asset.

The Government has stated that "appropriate integrity measures" will accompany these rules (once legislated), so it will be important to ensure the final legislation is reviewed in light of the clients' circumstances to see if (and when) the relief will actually apply.

Tightening access to non-commercial business losses

Effective date: from 2009-10 income year

In a measure clearly aimed at high income earners, rules regarding the use of non-commercial losses will be tightened to prevent taxpayers with adjusted taxable income greater than \$250,000 offsetting excess deductions from non-commercial business activities against salary and other income. Rather, the excess deduction will be quarantined to that particular business activity only.

As an example, this change will apply where these taxpayers run a hobby farm that generates a net tax loss. The net tax loss will be carried forward to offset against future income from that business, and cannot reduce a taxpayer's tax liability on income from other sources.

Tightening non-commercial loan rules

Effective date: 1 July 2009

Currently, there are extensive tax rules designed to tax certain payments out of private companies to shareholders (or their associates) where a tax advantage has been obtained in the company (eg where the company is entitled to a tax deduction for the payment).

With effect from 1 July 2009 these rules will be tightened further, by extending the non-commercial loan rules to 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.

Other proposed tax changes

Effective date: to be advised subject to further consultation

The Government has announced its intention to make changes in a number of other areas resulting from recommendations of the Board of Taxation. The changes include:

- amending existing legislation that deals with the Australian taxation of investments through companies and trusts located off-shore to ensure residents can not accumulate income offshore and thereby defer, or even avoid, Australian tax
- a review of the tax rules affecting companies that undertake an off-market share buy-back and the impact on shareholders.

Social Security

Age Pension increases

Effective date: 20 September 2009

The Government has announced the following changes from 20 September 2009:

- An increase to the base rate for single age pensioners of \$30 per week;
- A combining of the four separate allowances (GST, Utilities, Telephone/Internet and Pharmaceuticals) into one

'pension supplement' that will be paid fortnightly; and

- An increase to the pensioner supplement of \$2.49 per week for singles and \$10.14 per week (combined) for couples.

These increases will apply to recipients of the Age Pension, Service Pension, Disability Support Pension, Carer Payment, Bereavement Allowance, Widow B Pension, Wife Pension, Income Support Supplement and to War Widows.

Total increase in Age Pension entitlements

Single Age Pension entitlement	20 March 2009	from 20 September 2009	Increase
Per fortnight	\$575.80	\$640.78	\$64.98
Per annum	\$14,970.80	\$16,660.28	\$1,689.48

Couple Age Pension entitlement (combined)	20 March 2009	from 20 September 2009	Increase
Per fortnight	\$957.80	\$978.08	\$20.28
Per annum	\$24,902.80	\$25,430.08	\$527.28

Income test – changes to taper rate

Effective date: 20 September 2009

From 20 September 2009, payments to pensioners will be reduced by 50 cents for each extra dollar of private income above the income test "free area". Currently, once a pensioner earns over the tax free amount a 40 cent per \$1 reduction applies.

	Amount of income per fortnight before tapering starts	Current pension cut out	From 20 Sept 2009 Pension cut out
Singles	\$ 138	\$ 47,444	\$38,693
Couples	\$ 240	\$ 72,423	\$59,228

Increase to the minimum age Pension Age

Effective date: 1 July 2017

The qualifying age for the Age Pension and Commonwealth Seniors Health card will increase for both men and women to 67 from 2023. The transition will not commence until July 2017, when the qualifying age will increase by 6 months every 2 years.

Commencement date	Qualifying Age	Affects people born	Reach new Age Pension age
Until 1 July 2017	65 years	Before 1 July 1952	
01 July 2017	65 and 6 months	1 July 1952 to 31 December 1953	1 January 2018 to 30 June 2019
01 July 2019	66 years	1 January 1954 to 30 June 1955	1 January 2020 to 30 June 2021
01 July 2021	66 and 6 months	1 July 1955 to 31 December 1956	1 January 2022 to 30 June 2023
01 July 2023	67 years	From 1 January 1957	From 1 January 2024

The above changes do not impact the qualifying age (age 60) for the Veterans' Service Pension.

Changes in the asset test hardship rules

Effective date: 1 July 2009

Effective from 1 July 2009 the asset test hardship rules will be amended. The changes increase the amount of readily available funds applicants can have when seeking to have an unrealisable asset disregarded.

The new limits (based on payment rates as at 20 March 2009) will be:

Applicant	Limit
Single person with no children	\$11,785.80
Single person with dependent child or children, or aged over 60 years with nine months on income support	\$12,750.40
Couple	\$21,268.00
Parenting payment single	\$14,814.80

The limits will be indexed at the same rate as payments, ensuring the limits maintain their real value.

Pension bonus scheme scrapped

Effective date: 20 September 2009

The pension bonus scheme will be closed from 20 September 2009 to new entrants. There will be no change to existing members of the scheme, and they will continue to accrue entitlements under the current rules. The new 'work bonus' will replace the pension bonus scheme.

Pensioner 'Work Bonus'

Effective date: 20 September 2009

From 20 September 2009, only half of the first \$500 of employment income earned will be assessed under the income test. This bonus will allow up to \$250 of earnings to be excluded from means testing.

In addition, a pensioner's earnings will now also be assessed on a fortnightly basis.

Commonwealth Seniors Health Card – Government back flip

Effective date: from 1 July 2009

Earlier this year the Government introduced legislation to include tax free pension income in the income test for the Commonwealth Seniors Health Card from 1 July 2009. The intention of this measure was to reduce the number of self funded retirees who were eligible for the card.

The Government has decided not to proceed with these changes.

New payment for self funded retirees

Effective date: from 20 September 2009

From 20 September 2009, approximately 300,000 self-funded retirees will be provided with access to the Seniors Supplement. The Seniors Supplement will be \$790.40 a year for singles and \$1,190.80 a year for couples combined. The supplement incorporates existing

payments of Seniors Concession Allowance and the higher rate of Telephone Allowance. Payments will be made quarterly.

Self-funded retirees eligible for the Commonwealth Seniors Health Card or the Department of Veterans' Affairs Gold card with the current Seniors Concession Allowance will receive the Seniors Supplement.

Paid Parental Leave

Effective date: from 1 January 2011

The Government announced it will introduce a paid parental leave scheme. The scheme will be funded by the Government and is intended to commence on 1 January 2011. Parents will be able to lodge claims from 1 October 2010.

Payments under the scheme will be paid to the primary carer at the adult federal minimum wage (currently \$543.78 per week) for a period of up to 18 weeks. Payments made under the paid parental leave scheme will be treated as taxable income and will affect entitlement to family assistance payments, but will not be counted as income for income support payments.

Primary carers (such as stay at home mums) who do not qualify for the scheme or those people who elect not to receive paid parental leave can still access the baby bonus or Family Tax Benefit Part B where they meet the eligibility requirements for those benefits.

Primary carers will be eligible for the scheme if they:

- Earned less than \$150,000 in the full financial year prior to the birth or adoption of a child;
- Have worked at least 330 hours over the 10 months (equivalent to around one full day of work each week) preceding the birth or adoption of a child; and
- Have also worked continuously with one or more employers for at least 10 of the 13 months before the expected date of birth or adoption.

Paid parental leave also will be available to contractors, casual workers and the self employed.

Employer funded leave

Parents who are eligible for the scheme will be able to continue to access employer funded leave around the time of the birth or adoption of the child. This includes employer provided maternity and recreation leave. Government funded paid parental leave can be taken in conjunction with, or in addition to, employer provided paid leave.

Effect on baby bonus and other family benefits

Parents who choose to receive paid parental leave will not be eligible to receive the baby bonus, except in the cases of multiple births where parents will not receive the baby bonus for the first child only.

Parents who choose to receive paid parental leave will not be entitled to the following benefits for the 18 weeks whilst in receipt of paid parental leave:

- Family Tax Benefit Part B

- Dependent spouse
- Child-housekeeper
- Housekeeper tax offset

Operation of the scheme

Employers will make the paid parental leave payments for most employees. The Government will provide employers with funds in advance of the payments they make to employees.

Paid paternity leave and superannuation payments

Paid paternity leave will be considered as part of a comprehensive review of the system, which is intended to take place in 2013. Superannuation payments will not be initially introduced with the paid parental leave. The introduction will be considered as part of a comprehensive review of the scheme.

Family Tax Benefit Parts A and B (and Baby Bonus)

Effective date: from 1 July 2009

Currently the rates of Family Tax Benefit (FTB) Part A are indexed to a proportion of the pension payments or the Consumer Price Index (CPI) should it be higher. From 1 July 2009 FTB Part A will be indexed by the CPI.

Generally the income thresholds for FTB parts A and B are indexed by the CPI and this will continue for the lower thresholds. However the higher thresholds will not be subject to CPI indexation until 1 July 2012. These thresholds are:

Benefit	Threshold
FTB Part A - base rate combined income	\$94,316
FTB Part B - primary income earner	\$150,000
Additional combined income per child after the first	\$3,796
Baby bonus - family income in 6 months following the birth	\$75,000

For FTB Part A, the taper rates remain at 30 cents for every dollar in excess of these thresholds. The combined effect of these changes will be to slowly reduce the benefits for higher income earners.

Maternity Immunisation Allowance

Effective date: 1 July 2010

The Government will change the timing of the indexation of the maternity immunisation allowance from twice a year to once a year. The first annual indexation will occur on 1 July 2010.

Carer Supplement

Effective date: by 30 June 2009

In addition to the increase in the pension rates of \$32.49 per week for singles and \$10.14 for couples, carers who receive Carer Payment or a related income support payment will receive a new annual Carer Supplement of \$600. The supplement will be payable to people who receive either:

- Carer Payment
- Both Wife Pension and Carer Allowance

- Both Department of Veterans' Affairs (DVA) Partner Service Pension and Carer Allowance
- DVA Carer Service Pension

Carers who receive both Carer Payment and Carer Allowance will receive two payments (\$1,200) every year. The first payment of the Carer Supplement will be made to Carers before July 2009. The regular payment will be made from 1 July 2010 onwards.

Department of Veterans' Affairs

Dependant Pension – lump sum payment and closure

Effective date: 30 September 2009

The Government will close the Dependant Pension from the end of September 2009 by providing existing recipients with a one-off lump sum payment equivalent to three years of payments. The Dependant Pension was initially implemented to compensate widows and children who had suffered as a result of a war-caused disability to a veteran.

Aged Care

Ending the 28 day income test exemption

Effective date: 2009-10 financial year

The Government will apply the income test for residential aged care from the day of entry, removing the current 28 day delay. Income tested

fees will be payable from the day of entry into the aged care facility. The income test itself will not change.

Other - First Home Owners Boost extension

Effective Date: 1 July 2001 - 31 December 2009

The Government have announced that the First Home Owners Boost (FHOB) will be extended for a further 6 months in a show of support for both the housing market and first home buyers.

For eligible first home buyers who enter into contracts between 1 July 2009 and 30 September 2009 the FHOB will continue to provide \$7,000 for the purchase of established homes and \$14,000 for the purchase of new homes. Combined with the First Home Owners Grant (FHOG) eligible persons who purchase an existing dwelling will receive \$14,000 of assistance and where eligible persons purchase a new dwelling they will receive \$21,000 of assistance.

For eligible first home buyers who enter into contracts between 1 October and 31 December the FHOB will be halved. Where an existing dwelling is purchased, an eligible first home buyer will receive \$3,500 of assistance where as if a new dwelling is purchased they would receive \$7,000 of assistance. Coupled with the FHOG, eligible first home buyers will receive \$10,500 assistance for an existing dwelling and \$14,000 of assistance for a new dwelling.



Disclaimer

This publication has been prepared for use by financial advisers only. It must not be copied, used, reproduced or otherwise distributed or circulated without the prior written consent of Securitor Financial Group Ltd ABN 48 009 189 495 AFSL 240687 (Securitor) or made available to any retail client, and any information contained in it must not be communicated to any retail client and attributed to Securitor or any of its related bodies corporate (Securitor Group). Material contained in this publication is an overview or summary only and it should not be considered a comprehensive statement on any matter nor relied upon as such. While the information contained in this publication is based on information obtained from sources believed to be reliable, it may not have been independently verified. It is not the intention of the Securitor Group that this publication be used as the primary source of readers' information but as an adjunct to their own resources and training. To the maximum extent permitted by law: (a) no guarantee, representation or warranty is given that any information or advice in this publication is complete, accurate, up to date or fit for any purpose; and (b) no member of the Securitor Group is in any way liable to you (including for negligence) in respect of any reliance upon such information or advice.

The taxation position described in this Federal Budget update 2009 is a general statement and should only be used as a guide. It does not constitute tax advice and is based on current tax laws and their interpretation. It cannot be relied on in providing financial advice to clients and you should advise clients to consult a registered tax

agent for specific tax advice on their circumstances.