

2009 FEDERAL GOVERNMENT BUDGET OVERVIEW

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The main highlights:

First Home Owners Grant

Amounts will change as listed below:

Contract date for purchase (inclusive)	First Home Owner grant for established home	First Home Owner grant for new home
1 July 2009 – 30 September 2009	\$14,000	\$21,000
1 October 2009 – 31 December 2009	\$10,500	\$14,000
After 1 January 2009	\$ 7,000	\$ 7,000

Paid Parental Leave Scheme

Introduced from 1 January 2011

This Government funded scheme will apply to parents in respect of births and adoptions that occur on, or after, 1 January 2011.

The scheme will provide 18 weeks of leave paid at the 'federal minimum wage', which is currently \$543.78 per week. The payments under the scheme will be included in taxable income. To be eligible for the scheme, a parent in paid work must have:

- Worked continuously with one or more employers for at least 10 of the 13 months before the expected date of birth or adoption,
- Worked at least 330 hours in those 10 months, which is equivalent to around one full day of work each week, and
- An adjusted taxable income of \$150,000 or less in the financial year prior to the date of birth or adoption of the child.

The scheme is in addition to any employer funded parental leave and will be available to contractors, casual workers and the self-employed.

Personal Income Tax Rate and Threshold Changes Confirmed

From July 2009

Previously announced changes to the personal income tax rates and thresholds have been confirmed. These changes are highlighted in bold below.

Current thresholds (2008/09)	Tax rate ¹	Thresholds in 2009/10	Tax rate ¹	Thresholds in 2010/11	Tax rate ¹
\$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%

Private Health Cover Rebate and Medicare Levy Surcharge Changes

From 1 July 2010

The following private health insurance rebate and Medicare levy surcharge rates will apply to higher income earners in 2010/11 and future years:

Income levels ¹	Private health insurance rebate	Medicare levy surcharge
Singles earning \$75,001 – \$90,000 Couples earning \$150,001 – \$180,000	20% up to age 65 25% for those aged 65-69 30% for those over age 70	1% 1% 1%
Singles \$90,001 – \$120,000 Couples earning \$180,001 - \$240,000	10% up to age 65 15% for those aged 65-69 20% for those over age 70	1.25% 1.25% 1.25%
Singles earning more than \$120,001 Couples earnings more than \$240,001	Nil Nil	1.5% 1.5%

Medicare Levy Low Income Thresholds Extended

From 1 July 2008

The Medicare levy low income threshold will increase to \$17,794 (up from \$17,309) for individuals and \$30,025 (up from \$29,207) for individuals with families from 1 July 2008. The threshold will also increase by \$2,757 (up from \$2,682) for each dependant child or student.

The Government will also increase the Medicare levy threshold for pensioners below Age Pension age to \$25,299 (up from \$22,922) with effect from 1 July 2008. This increase will ensure pensioners below Age Pension age do not pay the Medicare levy when they do not have an income tax liability.

Tax-free Incomes for Older Australians

People aged 60 or over will still be able to receive unlimited tax-free incomes from pension investments commenced from a taxed super fund. The table below shows the amount of taxable income that can be received tax-free by older Australians in other circumstances.

People who are:	Tax-free incomes ¹		
	2008/09	2009/10	2010/11
Aged 55 to 59 using pension investments ²			
• Singles	\$44,211	\$45,789	\$48,158
• Per member of a couple	\$44,211	\$45,789	\$48,158
Eligible for *SATO not using pension investments			
• Singles	\$28,867	\$29,867	\$30,685
• Per member of a couple	\$24,680	\$25,680	\$26,680

*Senior Australian Tax Offset

Aged Pensions

Age Pension Age to Increase to Age 67

From 1 July 2017

The qualifying age for the Age Pension and the Commonwealth Seniors Health Card for men and women will increase to 67 years of age from July 2023. The Henry Tax Review report on the retirement income system also recommends aligning the superannuation preservation age with this higher Age Pension age. The qualifying age will begin to increase from July 2017, by six months every two years.

From	New age pension age	Affects people born	Current age
1 July 2017	65 years 6 months	1 July 1952 – 31 Dec 1953	55.5 – 57
1 July 2019	66	1 Jan 1954 – 30 Jun 1955	54 – 55.5
1 July 2021	66 years 6 months	1 July 1955 – 31 Dec 1956	52.5 – 54
1 July 2023	67	1 Jan 1957 – onwards	52.5 or younger

Pension Payments to Increase

20 September 2009

The Government announced an increase to the Age Pension to take effect from 20 September 2009. The full rate single pension will be increased by \$32.49 a week, while the full rate pensioner couples (combined) pension will be increased by \$10.14 a week.

These increases will be provided in two forms: through an increase in the base rate of pension for singles and an increase through the new Pension Supplement for both singles and couples.

For the basic single pension rate, the Government will provide a \$30 per week increase. For the new Pension Supplement, the Government will provide a:

- \$2.49 per week increase for singles; and
- \$10.14 per week combined increase for couples.

The above increase will also apply to pensioners who receive the Veterans' Service Pension and Income Support Supplement.

Superannuation & Retirement

Self Funded Pension Drawdown Relief

Will continue until 30 June 2010

In a press release on 18 February 2009, the Government announced that clients in account based pensions, allocated pensions and term allocated pensions (TAPs) would only be required to draw down half their calculated minimum income requirement for 2008/09. This relief has been extended for a further 12 months to 30 June 2010.

The reduced drawdown rates are set out in the table below.

Age at start of pension and each 1 July	Original percentage of account balance (pa)	Reduced drawdown % for 2009/10
Under 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95 or more	14%	7%

Temporary Reduction of the Government Co-contribution

From 1 July 2009 to 30 June 2014

The Government will temporarily reduce the matching rate and maximum co-contribution that is payable on an individual's eligible personal non-concessional superannuation contributions, with effect from 1 July 2009. Under this measure, the matching rate and corresponding reduction will be:

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Maximum co-contribution payable	\$1000	\$1000	\$1000	\$1250	\$1250	\$1500
Reduction for each \$1 of total income above shade out threshold	3.333 cents	3.333 cents	3.333 cents	4.167 cents	4.167 cents	5 cents

Co-contribution eligibility

	Super contribution (\$ pa)			
	1000	750	500	250
Income (\$ pa)	Government co-contribution (\$ pa)			
30,342	1000	750	500	250
32,342	933.34	750	500	250
34,342	866.68	750	500	250
36,342	800.02	750	500	250
38,342	733.36	733.36	500	250
40,342	666.70	666.70	500	250
42,342	600.04	600.04	500	250
44,342	533.38	533.38	500	250
46,342	466.72	466.72	466.72	250
48,342	400.06	400.06	400.06	250
50,342	333.40	333.40	333.40	250
52,342	266.74	266.74	266.74	250
54,342	200.08	200.08	200.08	200.08
56,342	133.42	133.42	133.42	133.42
58,342	66.76	66.76	66.76	66.76
60,342	0	0	0	0

Reduction of Concessional Contribution Cap

From 1 July 2009

The Government will reduce the concessional contributions (CC) cap to \$25,000 per annum (indexed), with effect from the 2009-2010 financial year. The transitional concessional contributions cap (applicable to individuals aged 50 and over for the 2009-2010, 2010-2011 and 2011-2012 financial years) will be reduced to \$50,000 per annum. 'Grandfathering' arrangements will apply to certain members with defined benefit interests as at 12 May 2009 whose notional taxed contributions would otherwise exceed the reduced cap. Similar arrangements were applied when the concessional contributions cap was first introduced.

The annual cap on non-concessional contributions (NCC) is \$150,000 per annum for the 2008-09 financial year and will remain at that level in 2009-10.

Contribution cap	2008/09	2009/10 (before Budget)	2009/10 (after Budget)
Concessional contributions (CC) cap			
• Under age 50 ¹	\$50,000	\$55,000	\$25,000
• Over age 50 (until 30/6/2012) ²	\$100,000	\$100,000	\$50,000
Non-concessional contributions	\$150,000	\$165,000	\$150,000
3-year Non-concessional contributions cap	\$450,000	\$495,000	\$450,000

¹ These thresholds are indexed in line with movements in Average Weekly Ordinary Time Earnings (AWOTE) in increments of \$5,000 (rounded down).

² This cap is not indexed

Portability of Super Between Australia and New Zealand

The Australian and New Zealand Governments have agreed to establish a portability scheme that would allow members of funds in each country to transfer their super benefits between complying superannuation entities in each jurisdiction.

Small Business

Small Business Tax Break Extended

Until December 2009

The small business and general business tax break will be extended to allow a bonus deduction of 50% to small businesses with a turnover of less than \$2 million that acquires an eligible asset between 13 December 2008 and 31 December 2009 where it is ready for use by 31 December 2010. The previously announced 30% and 10% bonuses continue to apply to all other businesses.

PAYG Installment Changes for Small Business

In an effort to align the PAYG instalments paid by small businesses more closely with their actual tax liabilities, the Government will reduce the instalments for those who pay quarterly based on their previous year's tax adjusted by GDP growth. For the 2009/10 financial year, the Government will reduce the GDP adjustment factor for calculating quarterly instalments under this method from around 9% to 2%.

Tightening Access to Non-commercial Business Losses

From 1 July 2009

From the 2009-2010 financial year, where taxpayers with adjusted taxable income of over \$250,000 incur excess deductions from non-commercial business activities, those excess deductions will be quarantined to that business activity. The existing rules will continue to apply for taxpayers with adjusted taxable income of \$250,000 or less.

Employee Share Scheme Changes

Shares and rights issued as part of an employee share scheme will be taxed in the year of receipt. This means employees who receive salary through discounted company share packages will no longer be able to defer paying tax on the discount. Additionally, the current exemption for the first \$1,000 of shares issued will be limited to people with an adjusted taxable income of less than \$60,000.

Infrastructure Spending

National Broadband Network — implementation and establishment

The Government will provide \$54.2 million over two years for the implementation and establishment of the National Broadband Network (NBN).

The funding allocated to these projects is as follows:

LPG Fuel System Rebate

The Government will manage strong demand under the LPG Vehicle Scheme by reducing the rebate for post-factory conversions to LPG fuel systems, at an estimated cost of \$7.9 million over five years (including a saving of \$36.0 million in 2013-14).

The rebate will be reduced from the current \$2,000 per conversion to \$1,750 per conversion from 1 July 2009, and then reduce further to \$1,500 from 1 July 2010, \$1,250 from 1 July 2011, and \$1,000 from 1 July 2012. For privately owned new cars the \$2,000 rebate for factory fitted LPG fuel systems will remain unchanged.

While the reduced rebate will help to manage expenditure over the life of the program, higher levels of demand are still expected in 2009-10 and 2010-11, resulting in an increase in the expenditure in those years.

Port Improvements

The Government has also made provision for possible equity contributions in relation to projects at Darwin and Oakajee ports, pending recommendation of the projects by Infrastructure Australia, negotiations with the project proponents and the establishment of an appropriate equity vehicle. The details of the projects are as follows:

Oakajee Port Common User Facilities (Geraldton, Western Australia): development of common use port components, including maritime and land—based facilities such as the breakwater, turning basin, channel, navigational aids, and port administration offices; and

Darwin Port Expansion (Darwin, Northern Territory): including land reclamation, a second rail dump and a new berth, ship loader and conveyor equipment, to deliver improved traffic management to the Port of Darwin and the Alice Springs to Darwin railhead.

Queensland's Benefit from Spending on Nation Building Projects

All up, the 2009-10 Budget delivers an increase in federal funding of \$668 million, or 80 per cent, over the 2008-09 Budget for Queensland road and rail projects, \$318 million of which will be provided immediately (in 2008-09) to keep key projects moving forward.

During 2009-10, work will start on a range of major road and rail projects including:

- Bruce Highway - Cooroy to Curra (Section B) Duplication - construction is expected to start in 2009 and be completed by 2012.
- Robina and Varsity Lakes interchange upgrades on the Pacific Motorway - construction is expected to commence in 2009 and is scheduled for completion in 2010.
- Coomera interchange upgrade Stage 1a works on the Pacific Motorway - construction is expected to commence in 2009 and is scheduled for completion in 2010.
- Douglas Arterial duplication in Townsville - construction is expected to commence in 2009 and is scheduled for completion in 2012.
- Cardwell Range realignment and upgrade on the Bruce Highway - construction is expected to commence 2009 and is scheduled for completion scheduled in 2012.
- Kirkwood Road Stage 3 - construction is expected to commence in 2009 and is scheduled for completion in 2010.

At the other end of the construction cycle, a range of major projects are expected to be completed by the end of 2009-10, including:

- Caboolture Motorway upgrade.
- Ipswich Motorway — additional works (Brisbane, Queensland): \$884.0 million (including \$484.0 million in 2008—09 and \$400.0 million in 2013—14) towards additional works on the construction of eight kilometres of the Ipswich Motorway between Dinmore and Goodna, and 2.5 kilometres between Wacol and Darra; and planning for the Ipswich Motorway between Darra and Rocklea.
- Pacific Motorway - Nerang South interchange upgrade.
- Bruce Highway upgrade - Woodlands to Veales Road in Townsville.
- Widening sections of the Gemfields way in central Queensland.
- Sealing and widening sections of the Rolleston to Suttor Development Road.

On top of the additional money for upgrading poorly designed and congested sections of the State's road network, they are funding a range of initiatives designed to improve road safety:

- \$24.3 million to eliminate 80 dangerous black spots on local roads.
- \$28.5 million to install boom gates and other safety measures at 66 high risk level crossings.
- \$3 million to address the lack of safe, modern roadside facilities for truck drivers, including new and refurbished rest stops, parking bays and decoupling areas.

Nation Building Plan for the Future — Investing in public transport links for our major cities

Brisbane Inner City Rail Feasibility Study (Brisbane, Queensland): \$20.0 million in 2008—09 towards a detailed feasibility study of additional river crossing capacity and cross city capacity for the provision of a rail loop that services the major stops north and south of the Brisbane River to cater for future growth.

Sources:

ING 2009/10 Federal Budget Technical Update
MLC 2009 Federal Budget Summary
Colonial First State FirstTech Budget Briefing
2009 Federal Budget Overview

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