

Cash Payments for working Australians

Key points to Note

- ▶ Taxpayers will generally need to lodge their 2008 tax return by 30 June 2009 to be eligible
- ▶ Taxpayers who are unlikely to lodge their return by 30 June 2009 should seek an extension as soon as possible
- ▶ Taxpayers under the tax-free threshold in 2008 would not be eligible
- ▶ Minors will generally not be eligible for the bonus if they only derived passive income in 2008 (eg, distributions from family trusts, interest, dividends etc)
- ▶ Payments will be made by the ATO from April 2009

Who is eligible?

The “tax bonus for working Australians” has received a lot of attention in the media. Based on the Tax Bonus for Working Australians Bill 2009, the following conditions will need to be met by an individual in order to qualify for the cash payment:

- ▶ The person is a resident of Australia for tax purposes
- ▶ Their adjusted tax liability for the 2008 income year is greater than nil
- ▶ Their taxable income for the 2008 year is \$100,000 or less
- ▶ Their 2008 tax return is lodged before 30 June 2009 (unless the Commissioner grants an extension request before the Act receives Royal Assent)

Minors

The major exception to the rules set out above relates to children with unearned income. A person will not be entitled to the bonus if:

- ▶ They are under 18 on the last day of the 2008 income year
- ▶ They are not excepted from the special tax rules which apply to minors (eg, engaged in full time occupation, Commissioner is satisfied they satisfy a permanent disability etc)
- ▶ Their assessable income for the 2008 year does not include any “excepted assessable income” (eg, employment income, business income, income from deceased estates, partnership income etc)

This will mean that most minors who receive small trust distributions (eg, from a family trust) or other forms of passive income (eg, dividends and interest) will not generally be eligible for these cash payments.

How much?

- ▶ \$900 will be paid to taxpayers with taxable income up to and including \$80,000.
- ▶ \$600 will be paid to taxpayers with taxable income over \$80,000 but not more than \$90,000.
- ▶ \$250 will be paid to taxpayers with taxable income over \$90,000 but not more than \$100,000.

OTHER CASH BONUSES

Single income family bonus

This \$900 bonus is intended to provide assistance to families with children that have one main income earner. Families must be eligible for Family Tax Benefit Part B on 3 February to be eligible for the bonus.

The payments will be made by Centrelink in the fortnight commencing 11 March 2009 and will not be taxable or count as income for social security purposes.

Families who claim FTB Part B as a lump sum will receive their payments from Centrelink in 2009/2010 and 2010/2011 after their 2008/2009 tax returns have been processed by the ATO.

Farmer's hardship bonus

A bonus payment will be made to farmers and rural-dependent small business owners receiving exceptional circumstances related income support. A one-off payment of \$950 will be made to people who are receiving any of the following on 3 February 2009:

- ▶ Exceptional Circumstances Relief Payment for Farmers
- ▶ Exceptional Circumstances Relief Payment for Small Business
- ▶ Interim Income Support for Farmers
- ▶ Interim Income Support for Small Business
- ▶ Transitional Income Support
- ▶ Farm Help Income Support

The payments will be made in the fortnight commencing 24 March 2009 and will not be taxable or counted as income for social security purposes.

Back to school bonus

A one-off bonus will be paid to families eligible for Family Tax Benefit Part A on 3 February 2009 for each eligible child of school age (aged 4 to 18 on 3 February 2009).

This bonus is in addition to and separate from the 50% Education Tax Refund.

Training and learning bonus

This is an up-front, one-off bonus for eligible students to assist with costs relating to the 2009 academic year. There is also a temporary (until June 2010) incentive for social security recipients to return to education and training. The bonus consists of two categories:

Category 1

A \$900 lump sum bonus will be provided to eligible recipients at 3 February 2009 of:

- ▶ Youth Allowance (students and apprentices)
- ▶ Austudy
- ▶ ABSTUDY
- ▶ Payments under the Veterans' Children Education Scheme (VCES)
- ▶ Payments under the Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS)
- ▶ Families entitled to Family Tax Benefit Part A (FTB-A) for each eligible dependent full-time student aged 21 to 24 years (on 3 February 2009) or who were subsequently determined to be entitled to receive FTB-A on that date
- ▶ Sickness Allowance and Special Benefit (under Age Pension age)

The bonus will be paid to eligible recipients by Centrelink in the fortnight beginning 24 March 2009 and will not be taxable or counted as income for social security purposes.

If a student attracts the Back to School Bonus (see above) they are not eligible for the Learning and Training Bonus.

Category 2

From 1 January 2009 until 30 June 2010 recipients of the Education Entry Payment (EdEP) will receive an additional \$950 payment which is on top of the \$208 they would already have received.

Eligibility to EdEP will be extended to Youth Allowance (other) recipients and the qualifying period for all eligible recipients will be reduced from 12 months to 1 month.

Those eligible for the EdEP bonus will receive it when they receive their EdEP payment. Clients who have already received their EdEP payment will receive the supplement from 24 March 2009. The additional payment is non-taxable and will not be treated as income for social security purposes. However, the base EdEP payment of \$208 will remain taxable and treated as income for social security purposes.

INVESTMENT ALLOWANCE

Draft legislation is not expected for the next few weeks. Here is what we know so far:

Key points

- ▶ Replaces the investment allowance which was previously announced in December 2008
- ▶ Small business only need to spend \$1,000 to obtain the bonus deduction, other businesses must spend \$10,000 or more
- ▶ The 30% allowance will only apply to assets acquired between 13 December 2008 and 30 June 2009. The asset must be installed before 30 June 2010 to receive the 30% deduction
- ▶ The allowance will be claimed as an additional deduction in the tax return for the year in which the asset is installed

Who is eligible?

In order to claim the additional deduction the following conditions must be met:

- ▶ The taxpayer must carry on a business (this seems to rule out rental properties)
- ▶ Depreciation deductions must be available for the asset under the capital allowances rules in Division 40
- ▶ The asset must be a new tangible depreciating asset or expenditure on an existing business asset
- ▶ The taxpayer must “hold” the asset under Division 40
- ▶ The cost must exceed the relevant threshold (ie, \$1,000 for small business entities & \$10,000 for other taxpayers)
- ▶ The asset must be acquired and installed by the required dates (see below)

How much?

Provided the relevant conditions are met, the amount of the additional deduction will depend on the date the asset is acquired (or construction of the asset begins).

Date asset acquired: Between 13 December 2008 and 30 June 2009

Installation date: Must be installed by 30 June 2010

Rate of allowance: 30% of asset's first and/or second elements of cost

Date asset acquired: Between 1 July 2009 and 31 December 2009

Installation date: Must be installed by 31 December 2010

Rate of allowance: 10% of asset's first and/or second elements of cost

In addition to the investment allowance taxpayers can also claim the normal depreciation deductions over the effective life of the asset.