

# AJML TAX SERVICES PTY LIMITED

## 2007-08 Federal Budget: substantial tax cuts and more

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On Tuesday, 8 May 2007, The Federal Treasurer, the Hon Peter Costello MP, handed down the 2007-08 Federal Budget. From a taxation point of view, this Budget, like the last two, is a significant one. The Budget delivered a range of taxation and related changes that will be of importance to many.

### PERSONAL TAXATION

**Dependant spouse rebate increased** - The Government has announced an increase in the dependent spouse rebate to \$2,100 (up from \$1,655) for the 2007-08 financial year and beyond, i.e. with effect from 1 July 2007, the Government says this increase will benefit taxpayers with a dependent spouse, who do not have a dependent child. The full dependent spouse rebate is available to a resident taxpayer who contributes to the maintenance of a resident spouse whose separate net income does not exceed \$282. The Rebate is reduced by \$1 for every \$4 by which the dependent spouse's separate net income exceeds \$282.

**Child care benefit increased** – The rate of Child Care Benefit (CCB) is increased by 10%. As a result, a

family on a maximum rate CCB with one child in long day care for 40 hours per week will receive an extra \$16.40 per week. This increase in CCB is applicable from 1 July 2007. The existing Child Care Tax Rebate will be converted to a direct payment administered through Family Assistance Office from 1 July 2007. Under the measures, families will still receive a rebate for out of pocket costs incurred in 2005-06 under the existing arrangements. Accordingly, families with out of pocket costs for both 2005-06 and 2006-07 will receive two rebates in 2007-08 (ie one through the tax system, and one as a direct payment)

**Tax cuts** – from 1 July 2008, the 40% threshold will increase from \$75,001 to \$80,001; and the 45% threshold will increase from \$150,001 to \$180,001. The Treasurer said the 2007-08 Budget tax cuts mean that over 80% of taxpayers face a top marginal tax rate of 30% or less. A taxpayer will need to earn \$134,000 to pay an average tax rate of 30% in 2008-09.

### SMALL BUSINESS TAXATION

**GST: Increase in threshold for approved tax invoice** – Businesses will be allowed to claim input tax credits for purchases with a GST exclusive value of \$75 or less without the need for an approved tax invoice. Currently, to claim an input tax credit, business have to obtain an approved tax invoice for all purchases with a GST exclusive value greater than \$50.

**GST: Simplified accounting methods – extended availability** – The Budget announced that the Tax Commissioner will be given power to develop Simplified Accounting Methods (SAMs) for all entities with an annual turnover of less than \$2m that make mixed

supplies (i.e. taxable and GST free) or mixed purchases. Currently, SAMs are restricted to retailers that sell food and to charities that make GST free supplies. Under this measure, businesses will be able to approach the Tax Office to initiate the development of a SAM to simplify their GST calculations and reduce their compliance costs.

### **Assistance program for new business owners**

– The Government has introduced a New Business Intensive Assistance Program to assist new business owners who may be unfamiliar with GST, record keeping obligations and the completion of BAS.

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Please see the list of our services below:

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- Company formation and ASIC compliance
- Business restructuring and tax planning
- Audit and taxation of Self Managed Super Funds
- Management reporting

**For assistance, please do not hesitate to contact our director Alan Liang CPA, B Bus (Acc & Mk).**

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