

12 May 2009

# 2009/10 Federal Budget ... at a glance

**This document was prepared by:**

Dimitri Diamantes,  
Manager, Technical  
Services

Alena Miles,  
Technical Analyst

Michael Yang,  
Associate Technical  
Analyst

12 May 2009

Earlier this evening, the Treasurer, Mr Wayne Swan, delivered his second Budget. The 2009/10 Budget provides for an underlying deficit of \$57.6 billion. The focus of the Budget is to stimulate the economy and to protect jobs.

## Executive Summary

### Taxation

- The Medicare levy low-income thresholds will increase to \$17,794 for individuals and \$30,025 for families effective from 1 July 2008.
- The Government will introduce means-testing of the private health insurance rebate and will increase Medicare levy Surcharge for certain high income earners who do not hold private health insurance.
- The Government have made lump sum bonus payments of up to \$950, which commenced in March 2009 as a part of a \$42 billion Nation Building and Jobs Plan.
- Changes will be introduced to ensure that undistributed income of a special disability trust is taxed at the beneficiary's marginal tax rate and to allow the principal residence capital gain tax exemption to apply to the beneficiary's main residence held within the trust.
- The Government will provide a limited capital gains tax (CGT) roll-over for assets transferred between fixed trusts that have the same beneficiaries with the same entitlements and no material discretionary elements, with effect from 1 November 2008.
- An optional CGT roll over will be provided for capital losses arising from CGT events happening under a complying superannuation fund's merger with an APRA regulated superannuation fund with at least five members.
- Access to the small business CGT concessions for assets acquired on the death of an individual will be extended to assets that have passed to a testamentary trust where the deceased would have been able to access the concessions at the time of their death. This extension will apply to CGT events happening in the 2006-07 income year and later income years.
- The bonus deduction for small business has been raised from 30 per cent to 50 per cent where the business acquires an eligible asset between 13 December 2008 and 31 December 2009 and installs it ready for use by 31 December 2010.
- Effective immediately, all the discounts on employee shares and options will be assessed in the year in which they are acquired.
- Foreign employment income (unless specifically exempt) will generally become taxable and taxpayers will be entitled to a foreign income tax offset for foreign tax paid on the foreign employment income to avoid double taxation.
- From 1 July 2009, the quarterly PAYG instalments for the 2009/10 income year will be calculated by using the expected increase in the Consumer Price Index (CPI) for 2009/10 (2%) rather than the previous years' GDP growth (9%).
- For eligible first home buyers entering into contracts to purchase a home between 1 July 2009 and 30 September 2009 (inclusive), the First Home Owners Boost, when combined with the First Home Owners Scheme grant, will continue to provide \$21,000 for the purchase of a new home and \$14,000 for the purchase of an existing home.

- For eligible first home buyers entering into contracts to purchase a home between 1 October 2009 and 31 December 2009 (inclusive), the First Home Owners Boost, when combined with the First Home Owners Scheme grant, will provide \$14,000 for the purchase of a new home and \$10,500 for the purchase of an existing home.

## Social Security

- The qualifying age for Age Pension and the Commonwealth Seniors Health Card will gradually increase until 2023, when the age for both men and women will reach 67.
- The maximum rate of Age Pension will increase to \$32.49 per week for single pensioners and \$10.14 per week (combined) for couples.
- The Pension Bonus Scheme will be closed to new applicants from 20 September 2009.
- The income test for Commonwealth Seniors Health Card will include salary sacrifice amounts to superannuation. However, the proposal to include the tax-free superannuation pension income to determine eligibility for the Commonwealth Seniors Health Card, announced in the 2008/09 Federal budget will not be legislated.
- The maximum reserve for liquid assets has increased to \$5000 for singles without dependants and \$10,000 for couples and singles with dependants for the period from 1 April 2009 until 31 March 2011.
- The taper rate for the Income Test will increase from 40 cents to 50 cents for every dollar above the income free threshold.
- The first payment of the Carer Supplement will be made by 30 June 2009 and subsequent payments from 1 July 2010. The supplement will be \$600 per annum to all Carer Allowance recipients for each person being cared for and \$600 per annum to recipients of Carers Payment.
- The Government will fund paid parental leave from January 2011. Eligible individuals will receive the Federal Minimum Wage (currently \$543.78 per week) for the period of up to 18 weeks. The leave will be means-tested, based on the primary carer's income.
- The higher income thresholds for family assistance will not be indexed and will be maintained at their current level until July 2012.
- Family Tax Benefit Part A (FTB A) payment rates will be indexed by the Consumer Price Index (CPI) consistent with other family payments such as Family Tax Benefit Part B and the Baby Bonus.
- The Parental Income Test threshold for the Youth Allowance will be increased to align with the income test threshold for the maximum Family Tax Benefit (FTB) Part A rate.
- The income thresholds at which Youth Allowance and Austudy begin to be reduced will be increased.
- Certain workforce participation criteria for establishing eligibility for the Youth Allowance will be removed.
- The exemption allowing income tested fees not to be charged for the first 28 days of a resident entering an aged care facility will be removed.
- The daily care fee for aged care residents will decrease from 85 per cent to 84 per cent of the total base pension amount. The maximum basic daily fee will rise from \$233.87 per week to \$256.27 per week as a result of the \$32.49 a week increase in the Age Pension.

## Superannuation

- The concessional contributions cap will be reduced from \$50,000 pa (indexed) to \$25,000 (indexed). The transitional concessional contributions cap (applicable to individuals aged 50 and over for the 2009/10, 2010/11 and 2011/12 financial years) will be reduced to \$50,000 pa. The non-concessional contributions cap will remain at \$150,000 pa for the 2009/10 financial year. For future years, the cap will be calculated as six times the level of the (indexed) concessional contributions cap.
- Effective from 1 July 2009, the co-contribution will temporarily be reduced to a maximum co-contribution of \$1000. The matching rate will reduce to 100%.

- The Government will allow the portability of retirement savings between Australia and New Zealand.
- 50% pension drawdown relief will be extended to the 2009/10 financial year.
- From 2010/11 financial year superannuation providers will be required to transfer lost accounts with balances of less than \$200, and those accounts which have been inactive for five years and for which there are insufficient records to identify the owner of the account, to unclaimed monies.

## **Fiscal outlook**

- The 2009/10 Budget provides for a budget deficit of \$57.6 billion which equates to 4.9 per cent of GDP
- The Government estimate that the budget will not return to surplus until 2015-16

## **Economic Outlook**

- The Australian economy will shrink 0.5 per cent in 2009-10
- Unemployment will hit 8.5 per cent by mid-2011
- Debt will rise to \$188.2 billion in 2012/13 (13.6 per cent of GDP )
- Government revenue will drop by \$35 billion due to the drop in commodity prices this year

## Taxation

### Medicare Levy Thresholds

Effective: 1 July 2008

The Government will increase the Medicare low-income thresholds to \$17,794 for individuals and \$30,025 for families, with effect from 1 July 2008.

The additional amount of threshold for each dependent child or student will also be increased to \$2,757. The increase in these thresholds takes into account movements in the Consumer Price Index and ensures that low-income families and individuals are exempt from paying the levy.

The Medicare levy low-income threshold for pensioners below age pension age will also be increased. From 1 July 2008, the threshold will rise to \$25,299. This will ensure that pensioners below age pension age do not pay the Medicare levy while they do not have an income tax liability.

### Private health insurance

Effective: 1 July 2010

The Government will introduce three new 'Private Health Insurance Incentive Tiers' that will:

- introduce means-testing of the private health insurance rebate and
- increase Medicare levy surcharge payable for high income earners who do not hold private health insurance.

The changes are summarised in the tables below:

#### Single (projected 2010-11)

Annual Income	Rebate			Medicare levy surcharge
	age <65	65 - 69	age ≥70	
\$0 - \$75,000	30%	35%	40%	Nil
\$75,001 - \$90,000	20%	25%	30%	1.00%
\$90,001 - \$120,000	10%	15%	20%	1.25%
\$120,001 +	Nil	Nil	Nil	1.50%

#### Family (projected 2010-11)

Annual Income	Rebate			Medicare levy surcharge
	age <65	65 - 69	age ≥70	
\$0 - \$150,000	30%	35%	40%	Nil
\$150,001 - \$180,000	20%	25%	30%	1.00%
\$180,001 - \$240,000	10%	15%	20%	1.25%
\$240,001 +	Nil	Nil	Nil	1.50%

All income thresholds will continue to be indexed to wages. The income thresholds will also be adjusted for families with more than one child in the same manner as existing arrangements for the Medicare levy surcharge.

### \$42 billion Nation building and jobs plan

Effective: 18 February 2009

On 3 February 2009, the Federal Government announced a \$42 billion Nation Building and Jobs Plan focused on supporting jobs and long term economic growth. The Federal Government has been making lump sum bonus payments of up to \$950 which commenced in March 2009.

### Tax concession to special disability trusts

Effective: 1 July 2008 & 1 July 2009

Legislation allows parents and immediate family members to establish a special disability trust for current and future accommodation and care of a severely disabled person. As a trust, any undistributed income is taxed at the highest marginal tax rate. The Government will introduce changes to ensure that undistributed income of a special disability trust is taxed at the beneficiary's marginal tax rate and not automatically the highest marginal tax rate, with effect from the 2008-09 income year.

Changes will also allow the principal residence capital gain tax exemption to also apply to the

beneficiary's main residence held within the trust, with effect from the 2009-10 income year.

### **Capital gains tax — limited roll-over for fixed trusts**

Effective: 1 November 2008

The Government will provide a limited capital gains tax (CGT) roll-over for assets transferred between fixed trusts that have:

- the same beneficiaries with the same entitlements and
- no material discretionary elements.

Under the current rules, the transfer of assets from one trust to another would generally trigger a CGT liability.

### **Capital gains tax — extension of capital loss roll-over for complying superannuation fund mergers**

Effective: 24 December 2008

On 23 December 2008, the Government announced that it would provide an optional capital gains tax (CGT) roll over for capital losses arising from CGT events happening under a complying superannuation fund's merger with an APRA regulated superannuation fund with at least five members.

The roll over will preserve the value of these capital losses in the receiving super fund, allowing them to be offset against future capital gains.

The roll-over option will be extended by one year to 30 June 2011. (Under the original proposal, the roll-over was to be available for CGT events that happen on and after 24 December 2008 and before 1 July 2010.)

Where merging superannuation entities are in a net capital loss position, the election will be expanded to permit the roll over of assets with accrued capital gains. (Under the original proposal, any capital gains that were, potentially, to be realised under such a merger would continue to be taxable. As capital gains and losses are calculated on an asset-by-asset basis, providing an optional roll-over would allow the transferring fund to choose not to disregard capital losses realised under the merger to offset against any realised capital gains.)

In addition, the roll-over will be expanded to permit the transferring superannuation entity's previously realised net capital losses to be transferred to the continuing superannuation entity and the roll-over or transfer of revenue losses to the continuing entity.

### **Capital gains tax — further amendments to the small business concessions**

Effective: 2006/2007 and later income years

A transitional rule will extend the time for taxpayers to choose to access the concessions where the choice arises from changes to the concessions announced in the 2008-09 Budget and the 2008-09 Mid-Year Economic and Fiscal Outlook.

In the 2008-09 Budget, the Government announced it would increase access to the small business capital gains tax (CGT) concessions for taxpayers owning a CGT asset used in a business by a related entity and for partners owning a CGT asset used in the partnership business, with effect from the 2007-08 income year.

In the 2008-09 Mid-Year Economic and Fiscal Outlook, the Government announced that it would treat an individual's spouse or child (under 18 years of age) as an affiliate of the individual for the purposes of determining whether the individual is eligible for the small business capital gains tax (CGT) concessions. The change applies where one entity owns a CGT asset and that asset is used, or held ready for use, in the course of carrying on a business by another entity.

In addition, access to the concessions for assets acquired on the death of an individual will be extended to cover assets that have passed to a testamentary trust where the individual would have been able to access the concessions at the time of their death. This extension will apply to CGT events happening in the 2006-07 income year and later income years.

The provisions which treat certain distributions to entities connected with a private company as dividends will be excluded from applying to the small business CGT retirement exemption. This exclusion will apply from Royal Assent of the relevant legislation.

## **Small Business General Business Tax Break – additional assistance to small business and enhancements**

Effective: 2008/09 to 2010/11 financial years

The bonus deduction for small business has been raised from 30 per cent to 50 per cent where the business acquires an eligible asset between 13 December 2008 and 31 December 2009 and installs it ready for use by 31 December 2010. For all other businesses, the previously announced 30 per cent and 10 per cent bonuses will continue to apply.

Further changes include:

- where assets are substantially identical, or form a set, they can be combined for the purposes of meeting the minimum cost requirements (\$1,000 for small business and \$10,000 for all other businesses);
- where assets are jointly held, a taxpayer can recognise all other business interests in the asset for the purpose of meeting the threshold, but will only be able to claim the Tax Break on their interest in the asset; and
- where a taxpayer has met the investment threshold for an asset, they can claim additional investment in the asset as part of the Tax Break.

## **Employee Share Schemes**

Effective: 7:30pm (AEST) on 12 May 2009

Under the current rules, an employee can elect to be assessed on discounts provided on shares or rights in the income year the shares or rights are acquired. If no election is made, the discount (which includes gains on shares or rights) is taxed at a later time (e.g when the employee disposes the shares). If an employee elects to be taxed upfront they receive a tax exemption of up to \$1,000 on the discount.

Under the new measure, all the discounts on employee shares and options will be assessed in the year in which they are acquired, removing the option to defer tax.

The \$1,000 tax exemption will be limited to employees with an adjusted taxable income of less than \$60,000.

## **Changes to foreign employment income exemption**

Effective: 1 July 2009

Under the current rules, foreign employment income earned by Australians working overseas for a continuous period of 91 days or more is exempt from income tax.

From 1 July 2009, the exemption for this type of income will only apply to the income earned as:

- an aid worker,
- a charitable worker,
- an employee under certain types of government employment or on projects that are in the national interest.

Under this measure, foreign employment income will generally become taxable and taxpayers will be entitled to a foreign income tax offset for foreign tax paid on the foreign employment income. This will relieve double taxation for those individuals.

## **Reduction in Pay As You Go (PAYG) Instalments**

Effective: 1 July 2009

This measure will cut the quarterly PAYG instalments for the 2009/10 income year by using the expected increase in the Consumer Price Index (CPI) for 2009/10 (2%) rather than the previous years' GDP growth (9%) to calculate instalments.

This measure will provide cash-flow benefits for small businesses, small superannuation funds and self-funded retirees who have investment income and are required to pay PAYG instalments.

## **Extension of First Home Owners Boost**

Effective: 1 July 2009 & 1 October 2009

The current First Home Owners Boost amounts, which when combined with the First Home Owners Scheme grant of \$7,000 provides eligible individuals with \$14,000 for the purchase of an existing home or \$21,000 for the purchase of a new home, will be extended to apply to eligible first home buyers entering into contracts between 1 July 2009 and 30 September 2009 (inclusive).

For eligible first home buyers entering into contracts between 1 October 2009 and 31 December 2009 (inclusive), the First Home Owners Boost, when combined with the First Home Owners Scheme grant of \$7,000, will provide eligible individuals with \$14,000 for the purchase of a new home or \$10,500 for the purchase of an existing home.

## Social Security

### Increase to Age Pension Age

Effective: 1 July 2017

The qualifying age for Age Pension and the Commonwealth Seniors Health Card will gradually increase until 2023, when the age for both men and women will reach 67.

A transitional period will apply increasing age pension age to 67 commencing 1 July 2017. The qualifying age will increase by 6 months every two years to age 67 by 1 July 2023.

Changes to the age pension age

<b>Date</b>	<b>New age pension age</b>	<b>Affect people born</b>
1 July 2017	65.5	1 Jul 1952 to 31 Dec 1953
1 July 2019	66	1 Jan 1954 to 30 Jun 1955
1 July 2021	66.5	1 Jul 1955 to 31 Dec 1956
1 July 2023	67	1 Jan 1957 and onward

### Increase to Age Pension

Effective: 20 September 2009

The Government will increase the rate of Age Pension. The package will include an increase in the base pension rate and new Pension Supplement. The rate of increases is:

- \$32.49 per week for single pensioners receiving the full rate of pension (\$30

increase in the base pension rate plus \$2.49 Pension Supplement)

- \$10.14 per week (combined) for couples receiving the full rate of pension (\$10.14 is the Pension Supplement).

The Pension Supplement will be paid fortnightly with the base pension.

The increases will apply to Age Pension, Service Pension, Disability Support Pension, Carer Pension, Bereavement Allowance, Widow B Pension, Wife Pension, Income Support Supplement and War Widow(ers).

The new Pension Supplement will also be paid to Widow Allowees, Partner Allowees and other income support recipients over age pension age.

From 1 July 2010 pensioners will have choice in the frequency of the payment of the Pension Supplement with the option to have the amount paid quarterly.

Other flexible advanced payment arrangements will be introduced to assist pensioners. Pensioners will be able to seek one advance payment per annum of up to the less of:

- three times the maximum basic weekly pension or
- 7.5% of the annual pension entitlement

A new Seniors Supplement will be established for Commonwealth Seniors Health Card and Veterans eligible for the Gold Card. This new supplement will include the Seniors Concession and Telephone Allowances. The single rate of the Seniors Supplement will include an extra \$129.

### Closure of Pension Bonus Scheme

Effective: 20 September 2009

The Pension Bonus Scheme will be closed to new applicants from 20 September 2009. The Pension Bonus Scheme was introduced to encourage older Australians to continue working beyond age pension age and claim entitlement to Age Pension at a later stage.

The Government will continue to encourage older Australians to work by providing concessional treatment to employment income under the Income Test. The concession, called Work Bonus, will

exempt the first \$500 per fortnight of employment income from the work test.

### Commonwealth Seniors Health Card – change to income test

Effective: 1 July 2009

The Government will modify the income test for Commonwealth Seniors Health Card to include salary sacrifice amounts to superannuation.

The Government will no longer proceed with the proposed changes to include tax-free superannuation pension income in the income test to determine eligibility for the Commonwealth Seniors Health Card. This measure was previously announced in the 2008/09 Federal Budget.

### Temporary change to liquid asset waiting period

Effective: 1 April 2009

The Government previously announced an increase in the maximum reserve for liquid assets for the purpose of determining an individual's Liquid Assets Waiting Period (LAWP) from 1 April 2009 until 31 March 2011.

The maximum reserve for liquid assets has increased to \$5000 for singles without dependants and \$10,000 for couples and singles with dependants.

The maximum LAWP waiting period (13 weeks) is served by Centrelink applicants if their level of liquid assets is above the amounts below:

<i>Liquid Assets</i>	
<i>Single</i>	<i>Couple or single with dependants</i>
\$11,500	\$23,000

The change affects applicants for Newstart Allowance, Youth Allowance, Sickness Allowance and Austudy payments.

### Increase Income Test taper rate

Effective: 20 September 2009

The Government will increase the taper rate for the Income Test from 40 cents to 50 cents for every dollar above the income free threshold. Outlined

below are an estimate of the income cut-out thresholds based on the current Age Pension rate:

	Current income cut-out threshold	Proposed income cut-out threshold
Single	\$1,577.50	\$1,289.60
Couple (combined)	\$2,634.50	\$2,155.60

The higher income test for pensioners with children will be abolished.

Concessional treatment will be provided to employment income for those receiving Age Pension. The first \$500 of employment income per fortnight will be excluded from the income test.

### Carer Supplement

Effective: 30 June 2009

In previous Federal Budgets, the Government has agreed to pay bonuses to Carers. The Government will now legislate to introduce a new Carer Supplement. The supplement will be an ongoing payment and non-taxable.

The first payment of the Carer Supplement will be made by 30 June 2009 and subsequent payments from 1 July 2010.

The supplement will pay:

- \$600 per annum to all Carer Allowance recipients for each person being cared for; and
- \$600 per annum to recipients of Carer Payment.

Clients receiving both Carer Allowance and Carer payment will be eligible for both payments.

### Paid parental leave

Effective: 1 January 2011

The Government will fund paid parental leave from January 2011. Eligible individuals will receive the Federal Minimum Wage (currently \$543.78 per week) for the period of up to 18 weeks. This scheme is only available to primary carers who meet all of the conditions below:



- 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 before the birth or adoption of a child; and
- have 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 may be transferable to another caregiver if the primary carer returns to work before they have received their full Paid Parental Leave entitlement.

### **No indexation of income thresholds for FTB A, FTB B and Baby Bonus**

Effective: immediately

The income thresholds for family assistance payments are generally indexed by the Consumer Price Index. The Government will maintain the higher income thresholds for family payments at their current level until July 2012.

The following thresholds apply:

- FTB-B- the primary earner threshold will remain at \$150,000
- Dependency tax offset- the threshold will remain at \$150,000
- the Baby Bonus eligibility threshold will remain at \$75,000 of family income in the six months following the birth or adoption of a child (equivalent to \$150,000 a year)
- the higher income-free area of FTB-A will remain at \$94,316 of family income (plus \$3,796 for each child after the first).

### **Family Tax Benefit Part A (FTB A) — removing the link to pension indexation**

Effective: 1 July 2009

Family Tax Benefit Part A (FTB A) payment rates will be indexed by the Consumer Price Index (CPI) consistent with other family payments such as Family Tax Benefit Part B and the Baby Bonus.

This measure will replace the current arrangement under which the maximum rates of FTB A for children under the age of 16 are based on the higher of:

- a proportion of the combined couple rate of pension payments,
- or adjusted by the CPI.

### **Increase to Youth Allowance Parental Income Test threshold**

Effective: 1 January 2010

The Parental Income Test threshold (currently \$32,800) applying under Youth Allowance will be increased to align with the income test threshold applying to the maximum Family Tax Benefit (FTB) Part A rate (currently \$42,559).

The threshold will be indexed as per the CPI and in-line with the FTB Part A rate. Family taper rate of 20 per cent will replace the Youth Allowance taper rate.

### **Relaxation of personal income test for Student Income Support**

Effective: 1 January 2011

The Government will increase the income thresholds at which Youth Allowance and Austudy begin to be reduced.

The level of personal income before the payments are reduced will increase from \$236 to \$400 per fortnight. Payments will then be reduced by 50 cents for every dollar of income earned between \$400 and \$480 and by 60 cents for every dollar earned above \$480 per fortnight. The thresholds will be indexed annually as per the CPI.

### **Youth Allowance work force participation criteria**

Effective: 1 January 2010

The Government will remove the following two eligibility criteria for establishing independence for the purpose of Youth Allowance:

- the recipient worked part-time for at least 15 hours per week for two years or more since leaving school; and
- within an 18 months period since leaving school, the recipient earned an amount equivalent to 75 per cent of the maximum rate of pay under Wage Level A of the Australian Pay and Classification Scale

generally applicable to trainees (\$19,532 in 2009).

### Removal of 28 day income test exemption for aged care

Effective: 1 July 2009

Residents currently entering aged care facilities cannot be charged an income tested fee for the first 28 days from the date of permanent entry into the facility. The Government will remove this exemption allowing income tested fees to be charged from the time an individual enters the care facility.

The assessment of income tested fees will remain unchanged.

### Changes to residential aged care fees

Effective: 20 September 2009

The Government's increase in the maximum Age Pension rate will be distributed to the aged care residents as follows:

- \$22.40 per week will flow to the aged care provider
- \$10.09 will flow to the pensioner.

The maximum basic daily fee for the aged care residents is currently calculated as a percentage of the maximum Age Pension rate. As a result of the changes, the daily care fee will decrease from 85 per cent to 84 per cent of the total base pension amount. The maximum basic daily fee will rise from \$233.87 per week to \$256.27 per week as a result of the \$32.49 a week increase in the Age Pension.

Aged care residents who are in care on 19 September 2009, and who do not receive Age Pension or who do not benefit significantly from the pension increase, will have their existing fee levels fixed at the current level until they leave care.

## Superannuation

### Reduction in concessional contributions cap

Effective: 1 July 2009

The concessional contributions cap will be reduced from \$50,000 pa (indexed) to \$25,000 (indexed). The transitional concessional contributions cap (applicable to individuals aged 50 and over for the 2009/10, 2010/11 and 2011/12 financial years) will be reduced to \$50,000 pa.

'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.

The non-concessional contributions cap will remain at \$150,000 pa for the 2009/10 financial year. For future years, the cap will be calculated as six times the level of the (indexed) concessional contributions cap.

### Temporary reduction in co-contribution

Effective: 1 July 2009

Currently the co-contribution matching rate is 150 per cent and the maximum contribution is \$1,500.

Effective from 1 July 2009, the co-contribution will be reduced to a maximum co-contribution of \$1000. The matching rate will reduce to 100%.

This is a temporary measure and the matching rate and co-contribution will gradually be restored to their current level for the 2014-15 financial years and beyond.

The following table summaries the changes:

<b>Financial Year</b>	<b>Matching Rate</b>	<b>Maximum Co-contribution</b>
2009-10	100 per cent	\$1000 reduced by 3.333 cents for each dollar by which the person's total income exceeds the shade out threshold to receiving the full co-contribution
2010-11	100 per cent	
2011-12	100 per cent	\$1250 reduced by 4.167 cents for each dollar of total income above the shade
2012-13	125 per cent	
2013-14	125 per cent	

		out threshold
2014-15 & beyond	150 per cent	\$1500 reduced by 5 cents for each dollar of total income above the shade out threshold

### **Superannuation portability between Australia and New Zealand**

Effective: to be determined

The Government has agreed in principle to a memorandum of understanding to allow the portability of retirement savings between Australia and New Zealand.

The agreement will allow the transfer of superannuation savings between certain Australian superannuation fund and New Zealand KiwiSaver funds.

The commencement date of this agreement is yet to be determined.

### **Pension drawdown relief for the 2008/09 and 2009/10**

Effective: 18 February 2009

On 18 February 2009 the Government announced a temporary relief from the minimum pension drawdown requirements of the superannuation legislation for the 2008/09 financial year. The Government will extend this measure to the 2009/10 financial year.

Eligible income stream recipients only have to draw 50% of their original minimum income level for the 2008/09 and 2009/10 financial years.

The income streams affected are:

- account-based income streams
- allocated pensions and annuities
- account-based and allocated pensions payable from a Retirement Savings Account (RSA)
- market-linked annuities and pensions.

This measure also applies to Transition to Retirement (TTR) pensions paid through any of the products mentioned above.

### **Changes to the payment of small and lost accounts to unclaimed monies**

Effective: 1 July 2010

Under the current rules, lost account balances are only paid to unclaimed monies when a member reaches age 65 and cannot be found by a fund trustee, or when a member dies and the trustee cannot find a beneficiary.

From 2010/11 financial year superannuation providers will be required to transfer the following accounts to unclaimed monies:

- lost accounts with balances of less than \$200
- those accounts which have been inactive for five years and for which there are insufficient records to identify the owner of the account.

Holders of these lost accounts will be able to claim their money from the ATO at any time.

## Further information?

Copies of Mr. Swan's speech together with supporting Budget papers can be found online at <http://www.budget.gov.au/>

**This document was prepared by:**

***Dimitri Diamantes***, Manager, Technical Services

***Alena Miles***, Technical Analyst

***Michael Yang***, Associate Technical Analyst

Source: 2009/10 Budget – Overview and Budget Paper No. 2 (12 May 2009)

This publication has been prepared in an unedited and unverified form as a vehicle for quick information dissemination. Its contents should not be used as a basis for advice or formulating decisions under any circumstances.

This publication dated 12 May 2009 is given in good faith and is derived from sources believed to be accurate as at this date, which may be subject to change. It should not be considered to be a comprehensive statement on any matter and should not be relied on as such. Neither Zurich Australia Limited (Zurich) nor any of its related entities, employees or directors give any warranty of reliability or accuracy nor accept any responsibility arising in any way including by reason of negligence for errors and omissions.

This publication contains general information only. It does not take into account the personal investment objectives, financial situation or needs of any investor. These factors should be considered before any decision is made in relation to the products. Zurich recommends investors seek the advice of appropriately qualified financial and tax adviser before committing to any financial decisions.