

student contribution upfront will be reduced from 20% to 10%, and

- the bonus on voluntary payments of \$500 or more will be reduced from 10% to 5%.

Other tax changes

Motor vehicle and other tax write-offs

Date of effect: 1 July 2012

Small businesses will be eligible to write -off the first \$5,000 of any motor vehicle purchased after 1 July 2012, a significant increase on the current amount of \$1,000.

Single rate for car fringe benefits

Date of effect: 10 May 2011

Changes were made to the way cars are treated under the fringe benefits tax; which will reduce the motivation to drive unnecessarily to receive more attractive tax treatment.

Currently, multiple statutory rates are used to determine the taxable value of car fringe benefits, which depend on distance travelled. These will be replaced with a single rate of 20%. This measure will apply to new contracts entered into after 7:30pm (AEST) on 10 May 2011 and will be phased in over four years.

There will be an immediate benefit for employees entering into salary sacrificed motor vehicle arrangements where they travel less than 15,000 km per year, as they'll gain the benefit of the new rate immediately. Employees on existing contracts who travel more than 25,000 km per year will gradually lose their current advantage over the next three years.

Social security changes

Greater support for families with teenaged children

Date of effect: 1 January 2012

Families with children aged between 16 and 19 who are studying full time will receive a raft of new support measures under changes to the Family Tax Benefit A.

These changes will:

- Remove the need to choose between Youth Allowance and Family Tax Benefit A.
- Match the payment rates for the benefit for dependent 16 to 19 year olds in full-time secondary study to the rates for 13 to 15 year olds.
- Align the participation requirement for Family Tax Benefit B and the Multiple Birth Allowance with the existing Family Tax Benefit A participation requirement. This change will require 16 to 19 year olds to be undertaking full-time secondary study, or be exempt from this requirement, to be eligible for the payments.
- Include all 16 to 19 year olds in full-time secondary study for the purposes of calculating the Youth Allowance parental income test.

Youth Allowance will continue to be available for 16 to 19 year olds who are independent, living away from

home or not in full-time secondary study, and for people aged 19 years and older. All Youth Allowance recipients aged 16 to 19 on 1 January 2012 will have the option to remain on Youth Allowance.

Aligning FTB A and Youth Allowance eligibility

Date of effect: 1 January 2012

The eligibility for Family Tax Benefit Part A (FTB-A) will be limited to children up to 21 years of age. However, the child may be eligible to receive Youth Allowance. This will bring Family Tax Benefit A in line with the Youth Allowance age of independence.

Pausing of family payment income test indexation

Date of effect: until 1 July 2014

The following higher income thresholds and limits will remain fixed until 1 July 2014:

- \$150,000 for Family Tax Benefit Part B primary earner
- \$150,000 for Dependency Tax Offsets
- \$75,000 for Baby Bonus (family income in the six months following the birth or adoption of a child, which is equivalent to \$150,000 a year)
- \$150,000 for Paid Parental Leave primary carer in the financial year before the birth or adoption of a child, and
- \$94,316 for the higher income-free threshold of Family Tax Benefit A family income, with an additional \$3,796 provided for each child after the first.

Pausing of Family Tax Benefit supplement indexation

Date of effect: until 1 July 2014

Indexation of the Family Tax Benefit Part A and B supplements will be fixed at the current 2010/11 levels of:

- \$726.35 pa per child for Family Tax Benefit Part A, and
- \$354.05 per annum for Family Tax Benefit Part B.

Flexible advances for Family Tax Benefit Part A

Date of effect: 1 July 2011

To help families meet unexpected expenses, they'll be able to receive an advance up to \$1,000 of their annual Family tax Benefit A entitlement.

Advances will be repaid over six months by reducing future fortnightly Family Tax Benefit payments. Families will also be able to apply to receive an advance of around \$160 on a regular basis, paid every six months.

Paid Paternity Leave scheme delayed

Date of effect: 1 January 2013

The implementation of Paid Paternity Leave will now take effect from 1 January 2013. The measure will provide eligible working fathers, and other partners who are providing full-time care or sharing the child's care, with two weeks paternity leave paid at a rate equivalent to the national minimum wage where children are born on or after 1 January 2013.

For further information on how the measures outlined in the budget will impact you directly please contact us.

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