



June 2007

IN THIS ISSUE

- Federal Budget 2007
- Did You Know?

Did You Know?

The Governments budget announcement to double the superannuation co-contribution for 2005-06 will add a further \$1,070 million to the superannuation savings of low and middle income earners.

Source: 2007 Budget Speech

The editors of Timely Tips welcome feedback from readers. If you have any topics you would like to see addressed in future issues, or for that matter any other suggestions or comments, please forward your suggestions to:

TimelyTips@profinvest.com.au

Federal Budget 2007

The Federal Budget brought down on 8th May 2007 was clearly designed to win votes for the forthcoming federal election which we expect to see called sometime in the second half of 2007.

Some of the key vote-winning Budget giveaways include:

Tax cuts

Cuts in marginal tax rates are to come into effect in two bites. Firstly, from 1st July 2007, the level of income at which the 30% tax rate applies will increase from \$25,001 to \$30,001. From 1st July 2008, the threshold for the 40% tax rate will increase from \$75,000 to \$80,000, and the top marginal rate will cut in at \$180,000 (currently \$150,000).

Personal tax rates that apply from 1st July 2007 are:

Income Thresholds	Tax Rate
\$0 - \$6,000	0%
\$6,001 - \$30,000	15%
\$30,001 - \$75,000	30%
\$75,001 - \$150,000	40%
\$150,001 +	45%

Dependant spouse offset

The amount of rebate available to a taxpayer with a spouse receiving a modest tax assessable income will increase from \$1,655 to \$2,100. This change will take effect from 1st July 2007.

Superannuation co-contribution bonus

For people who qualified for the Government's superannuation co-contribution during the 2005/2006 financial year, the good news is they will receive a further co-contribution. In effect, the Government has doubled the co-contribution to a maximum of \$3000 (up from \$1,500). This is a "one-off" initiative and only applies to the 2005/06 financial year.

Seniors bonus payment

Senior Australians who qualify for the senior's Concession Allowance and Utilities Allowance as at Budget night will receive a one-off non-taxable bonus payment of \$500. This will be paid automatically to those who qualify by 30th June 2007.

Carers Payment and Carers Allowance recipients

A feature of recent Budgets has been to offer payment of a bonus to people in receipt of a Carers Payment and Carers Allowance. This years Budget included a bonus payment of \$1,000 for those people in receipt of a Carers Payment, and \$600 for each person they care for, for those people receiving a Carers Allowance. People who qualify for both payments could receive a one-off payment of \$1,600.

Funeral Bonds

Funeral Bonds have been an attractive investment for seniors as the amount invested in a funeral bond (up to a maximum of \$5,000 for an individual or a couple) is exempt from the assets and income tests for people in receipt of Centrelink benefits.

Effective from 1st January 2008, single people or couples can have up to \$10,000 invested in a Funeral Bond exempted from the income and assets tests.

Pension Bonus Scheme

The Pension Bonus Scheme allows people the opportunity to receive a bonus payment if they continue to work once reaching pension age and therefore defer taking an age pension.

The Budget announcements will see additional funds being made available to enhance the Pension Bonus Scheme. Changes include the ability of a surviving spouse of a deceased member of the PBS to receive the bonus payment which had accrued to their deceased spouse as at the date of death.

Other changes relate to an extension of discretionary powers of the staff of Centrelink and Department of Veterans Affairs to accept applications for the PBS outside the 13 week claim period, and allowing PBS members to take employment related leave (other than sick leave) of up to 26 weeks.

Source: Peter Kelly – PIS

Forestry Managed Investment Schemes

On 21st December 2006, the Government announced that investors in forestry managed investment schemes (MIS) would be able to claim immediate upfront deductions for their

getting you from **a** to **b**

expenditure on such schemes, provided that at least 70% of the expenditure is directly related to developing forestry. At that time, the Government also agreed that the arrangement for providing tax deductibility for forestry MIS be reviewed within two years of commencement in the context of the development of a secondary market.

The Government has now announced that it will allow trading of both existing and future interests in forestry MIS subject to a minimum four-year holding period for initial investors. The measure will allow initial investors to trade their interests in a forestry MIS once held for at least four years. The measure will apply to interests in pre-existing schemes, meaning that taxpayers who invested in a forestry MIS prior to 1st June 2003, will be able to trade their interests from 1st July 2007. There will also be specific rules for the income tax treatment of investors' costs and proceeds to ensure tax symmetry between initial and secondary investors:

- Introduce a market value pricing rule at the time of first sale from an initial to secondary investor to reduce tax arbitrage;
- Treat secondary investors (other than those holding interests as trading stock) on capital account for acquisition and disposal of their interests. For these purposes harvest proceeds will be treated as a disposal; and
- Allow secondary investors a deduction for ongoing costs, to limit the incentive to frontload fees, and introduce a matching provision that seeks to recoup on revenue account these deductions from the sale or harvest proceeds.

Source: *Colonial First State*

Year-end Tips

With the end of the financial year approaching, it is time to do a last-minute check on the strategies you should be considering:

Bring forward deductions

Where you are able to bring forward expenses that are tax deductible, you can get a tax deduction in the current financial year rather than waiting a further 12 months. This has become even more important for those affected by the change in threshold for the 30% tax bracket.

Expenses that could be brought forward will depend on your personal circumstances but may include pre-payment of interest and lease payments, purchases of consumables and equipment, paying for repairs and maintenance, pay insurance premiums that are tax deductible such as salary continuance insurance and make additional superannuation contributions.

Invest in Tax Effective Schemes

Use tax effective investments to minimise CGT Capitalise capital losses to write off against capital gains.

Government Superannuation Co-contribution

The Government will make contributions to superannuation on behalf of eligible low income earning tax-payers. People who are under 70 years of age and derive at least 10% of their income from employment may be eligible for a co-contribution of up to \$1.50 for every \$1.00 of personal non-concessional (undeducted) contribution that is made. The maximum co-contribution is \$1,500 and is available to eligible people with tax assessable income of less than \$28,000 the amount of co-contribution reduces and cuts out once a person's income reaches \$58,000. To receive the co-contribution for the current financial year, personal non-concessional contributions need to be made before 30th June 2007.



Salary Continuance Insurance

Salary continuance insurance (also referred to as Disability Income Insurance) pays a benefit designed to replace salary for people who are unable to work as a result of sickness or injury. The premiums for salary continuance insurance are tax deductible for tax-payers.

For those who either don't have salary continuance insurance, or haven't reviewed their cover for some years, acting before 30th June 2007 may deliver an additional tax deduction.

Maximise superannuation contributions

The superannuation reforms announced in the 2006 Federal Budget provide an opportunity for many people to maximise their superannuation contributions prior to year end.

For those readers who are eligible to claim a tax deduction for their personal contributions (i.e. the self-employed and unsupported people), consider maximising contribution now.

Prior to 30th June 2007 people may also make a personal non-concessional contribution to superannuation of up to \$1,000,000. From 1st July 2007, non-concessional contributions will be capped at a maximum of \$150,000 per person.

Of course, it goes without saying that before embarking on strategies such as those suggested, appropriate financial advice should be obtained.

Source: *Peter Kelly – PIS*

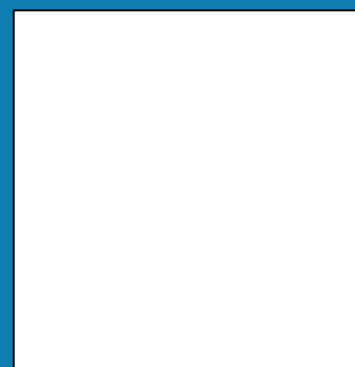
About our services:

The company has offices in all capital cities throughout Australia as well as an extensive regional network. Our highly skilled and trained consultants will assist you in determining the financial strategy that is right for you.

List of services:

- Wealth Accumulation
- Superannuation/Rollovers
- Retirement Planning
- Mortgage Elimination
- Shares and Property
- Fixed Interest and Cash
- Tax Planning
- Finance Services
- Home Mortgages
- Business Planning
- Risk Insurance
- Corporate Superannuation
- Corporate Services

Your local adviser office is located at:



Disclaimer

The information contained in Timely Tips is of a general nature only, does not take into account your particular objectives, financial situation or needs. Accordingly the information should not be used, relied upon or treated as a substitute for specific financial advice. Whilst all care has been taken in the preparation of this material, no warranty is given in respect of the information provided and accordingly neither Professional Investment Services nor its employees or agents shall be liable on any ground whatsoever with respect to decisions or actions taken as a result of you acting upon such information.

Privacy

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your local office located at the back of this document.