

The Federal Budget: 2007/08

The Federal Treasurer Peter Costello handed down the Federal Budget last night.

Proposed changes affecting superannuation, effective 1 July 2007 include:

- More focus on low and middle income workers with a one off payment that will double an individual's total co-contribution payments made to the superannuation fund last year. This means if someone had contributed up to a total of \$1,000 towards their superannuation in 2005/06 the Government will give them a one off maximum payment of \$3000. (The co-contribution is \$1.50 per \$1.00 of personal contributions. Previously, the maximum \$1,500 co-contribution applied to contributions of \$1,000 made by a person earning up to \$28,000 pa in 2005/06. Those who were entitled to the maximum co-contribution in that year will now be entitled to an extra \$1,500.)
- Preventing public offer funds from requesting that new employers sign 'participating employers agreements' before accepting contributions on behalf of fund members.

- Allowing one spouse in a marriage breakdown to transfer their entire interest from a small superannuation fund to another complying super fund without incurring capital gains tax. Previously the capital gains tax concession applied to the superannuation interest that was the subject of a family law payment split, and where the super interest was rolled over to another small super fund.

Economic outlook

The Government estimates a Budget surplus of AUD\$10.6 billion in 2007/08. This will be the Government's tenth budget surplus in 12 years.

The Government referred to its 2006/07 Budget simplified super initiatives regarding the abolition of benefits tax for the over 60s. Even with this tax cut, revenue from tax on super funds is expected to increase by at least AUD\$840 million in 2007/08.

Income tax thresholds

Tax income rates came in for another round of cuts, with more again expected next year. From 1 July 2007, the 30 percent tax threshold will be raised to \$30,000. From 1 July 2008, the 40 percent tax threshold will be raised to \$80,000 and the 45 percent tax threshold will be raised to \$180,000 (see table below).

2006/07 (current)		2007/08		2008/09	
Tax threshold income range (\$)	Tax rate (%)	New tax threshold income range (\$)	Tax rate (%)	New tax threshold income range (\$)	Tax rate (%)
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 25,000	15	6,001 - 30,000	15	6,001 - 30,000	15
25,001 - 75,000	30	30,001 - 75,000	30	30,001 - 80,000	30
75,001 - 150,000	40	75,001 - 150,000	40	80,001 - 180,000	40
150,000 +	45	150,000 +	45	180,000 +	45