

May 2003 Budget – an overview:

The main features of the 11th May 2004 budget are as follows:

- The marginal income tax thresholds have increased for some income earners i.e. the 42% tax rate threshold will increase from \$52,001 to \$58,001 by July 1st 2004, then to \$63,001 by July 1st 2005 / the 47% tax rate threshold will increase from \$62,501 to \$70,001 by July 1st 2004, then to \$80,001 by July 1st 2005. Schedules of the new marginal tax rates are detailed below;
- Super contributions for low-income earners will rise from \$1 to \$1.50 for every \$1 of an individual's superannuation contribution under the Super Co-contribution scheme, with the threshold before benefits cut out increasing from an income level of \$40K to \$58K;
- The superannuation surcharge on high-income earners will reduce to 7.5% from 14.5% by 30th June 2007;
- In future only superannuation funds with at least 50 members will be able to offer lifetime or life expectancy pensions to members, this effectively prevents most self managed superannuation funds (limited to maximum of 4 members) from setting up such pensions;
- The existing baby bonus scheme will be replaced by a flat maternity payment of \$3,000 per child born after 1st July 2004, rising to \$5,000 in 2008;
- An easing of the eligibility test for the maternity payment (baby bonus) i.e. payment will not be income tested and will be paid to mothers irrespective of whether they stay at home or return to work;
- An increase of \$600 per child a year in maximum and base rates of family tax benefit (FTB), then a one off payment of \$600 for every child by the end of June 2004;
- An easing of the income test for the phasing out of the FTB will be lifted e.g. to \$105,572 for a family with 3 children;
- Small businesses and non-profit organizations below the \$50K registration threshold (voluntary registrations) can elect to lodge and pay GST on a yearly basis;
- The introduction of new schemes to encourage older workers to stay on or re-enter the workforce;
- Those Veterans on a disability pension and income support to receive an increase of \$40 a fortnight and the funeral benefit to rise to \$1,000;
- Increased education (and scrutiny) of taxpayers with negatively geared investments; and
- The economy is expected to grow at 3.5%, unemployment to remain at below 6% and inflation tipped to remain below 2% for 2004/05.

MARGINAL TAX RATE SCHEDULES

2004/05

Resident Tax Rates:

Taxable Income:

\$1-\$6000

\$6001-\$21600

\$21601-\$58000

\$58001-\$70,000

\$70,000 and over

Tax Liability:

Nil

17 cents for every dollar over \$6000

\$2652 + 30 cents for every dollar over \$21600

\$13572 + 42 cents for every dollar over \$58000

\$18612 + 47 cents for every dollar over \$70000

In addition the general medicare levy of 1.5 cents (plus an additional 1 cent if the surcharge applies) for every dollar applies.

2005/06

Resident Tax Rates:

Taxable Income:

\$1-\$6000

\$6001-\$21600

\$21601-\$63000

\$63001-\$80000

\$80,000 and over

Tax Liability:

Nil

17 cents for every dollar over \$6000

\$2652 + 30 cents for every dollar over \$21600

\$15072 + 42 cents for every dollar over \$63000

\$22212 + 47 cents for every dollar over \$80000

In addition the general medicare levy of 1.5 cents (plus an additional 1 cent if the surcharge applies) for every dollar applies.