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PIS Timely Tips



Maximising opportunities arising from the Government's stimulus packages

The global financial crisis has resulted in many governments introducing packages designed to stimulate consumer spending in an attempt to prevent or minimise the risk of a country sliding into recession. Government handouts have been the order of the day.

The Australian Government has implemented two stimulus packages for the benefit of many Australians, one in December 2008, and the other in February 2009.



December 2008 Stimulus Package

The December stimulus package saw payments of \$1,000 or more being paid to a range of people including pensioners, seniors and carers; self funded retirees who qualify for the Commonwealth Senior's Health Card, and people receiving Family Tax Benefit Part A (FTB A).

Pensioners, carers and senior Australians will have already received their payment, as will many people who receive FTB A by instalments. However, where FTB A is claimed as a lump sum payment at the end of the financial year, a bonus of \$1,000 per eligible child may be payable, provided the period to which the FTB A payment relates includes 14th October 2008, the claim is made in the 2008/09 financial year, and the rate of FTB A payable for 14th October 2008 was greater than nil taking into account one or more FTB children.

The payment of the bonus will be made at the same time the FTB A payment is made. To receive the bonus payment now rather than waiting until the end of the financial

year, the payment of FTB A can be changed from an annual to fortnightly basis. For more information, visit the Family Assistance Office website www.familyassist.gov.au

February 2009 Stimulus Package

1. Tax bonus for working Australians

In February 2009, the Government announced a further round of bonus payments, this time a payment of up to \$900 for those taxpayers who in the 2007/08 financial year, had a taxable income of less than \$100,000. The bonus payment is tiered with a \$250 bonus payable to taxpayers with a taxable income of between \$90,000 and \$100,000, \$600 bonus if taxable income is between \$80,000 and \$90,000, and the full \$900 payable where taxable income is less than \$80,000.

To be eligible to receive this bonus, a taxpayer must have lodged their 2007/08 tax return by 30th June 2009. In addition to lodging a tax return, taxpayers must have incurred a net tax liability in order to receive the benefit. In essence, this means that a taxpayer who has a tax liability that is eliminated by the application of tax offsets (eg. mature age workers offset, low income earners offset and so on) will not receive the bonus.

The following example addresses a situation where a taxpayer may be ineligible for the bonus payment.



Harry is 67 years of age. He is drawing \$20,000 pa income from his account based pension and also receives \$10,000 of age pension. We have assumed he has no deductions. As his account based pension payments are treated as non exempt and non assessable income, it will not appear in his taxable income. Harry's total taxable income is therefore \$10,000.

<i>Tax on \$10,000</i>	<i>\$ 600</i>
<i>Less pensioner tax offset</i>	<i>\$2,129</i>
<i>Tax payable</i>	<i>\$ 0</i>

As Harry's net tax payable is \$0, he is not eligible to receive the \$900 bonus.

Did you know?

A family with a combined income of \$100,000 (secondary income earner earns less than \$17,904), with one primary school aged child and one high school aged child, could qualify for in excess of \$6,800 of tax-free income arising from the Government's stimulus packages.

Source: Peter Kelly – Professional Investment Services

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2. Single income families bonus

For families that rely primarily on a single income (and qualify for Family Tax Benefit B (FTB B), a lump sum bonus of \$900 per family will be payable.

Back to school bonus

Families that receive FTB A may be eligible for a "back to school bonus" of \$950 for each school aged child (ages 4 - 18). This payment will be made irrespective of whether FTB A payments are received by instalments, or as a lump sum.



3. Training and learning bonus

Eligible students who receive social security benefits (such as Youth Allowance, Austudy, ABSTUDY etc) may be eligible for a lump sum bonus of \$950.

A feature of the February stimulus package is that people may be entitled to multiple lump sum benefits such as the tax bonus, back to school bonus and single income family bonus.

A number of benefits available are based on a person's taxable income for the 2008/09 financial year (the tax bonus of up to \$900 for people with taxable income of less than \$100,000 is based on the 2007/08 financial year).

This creates an opportunity for people to implement strategies now that may result in them being eligible to receive one or more benefits.

Eligibility to both FTB A and B are based on income. To be eligible for FTB B, a primary income earner's adjusted taxable income must be below \$150,000 for the 2008/09 financial year. As there are still some months to go before the end of the financial year, opportunities exist for higher income earners to adjust the income for the year utilising a number of strategies such as salary sacrificing future income to superannuation, or qualifying for tax deductions, in order to qualify for FTB B.

As the eligibility for Family Tax Benefits can be complex, suitable financial planning or accounting advice is of utmost importance.

By qualifying for these benefits, many families may qualify for thousands of dollars of tax free income that may not have otherwise been available to them.

Education Tax Refund (ETR)

Introduced from 1st July 2008, the ETR allows families who receive FTB A to claim a tax refund of up to 50% of the costs of school expenses including laptop and personal computers, printers, software and home internet connections, text books and stationery.

For each primary school age child the maximum rebate is \$375 (i.e. 50% of maximum incurred expenses of \$750) and for each high school child, the rebate is up to \$750 (50% of \$1,500).

To support claims under the ETR scheme, receipts for items purchased must be retained.



First Home Owners

In October 2008, as part of the first stimulus package, the Government announced increases in grants available to first home buyers.

For home buyers purchasing an established home, the grant increased from \$7,000 to \$14,000, and for those buying a new home, the grant increased to \$21,000. The increased grants apply from 14th October 2008.

To be eligible for the grant, a contract must be entered into by 30th June 2009.

The grant applies to homes being purchased for owner occupancy, not investment properties.



The various State Governments also have incentives in place to assist first home buyers. More information on the First Home Owner Grant scheme, including access to the State Government concessions, is available at www.firsthome.gov.au

Source: Peter Kelly – Professional Investment Services

Your local adviser office is located at:

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