



## Henry Review: The Government's Announcement

The long awaited Government response to the Report on Australia's Future Tax System (the Henry Review) was released on 2<sup>nd</sup> May 2010 along with the Report itself.

The Report contains 138 recommendations for reform, aimed at developing a simpler and fairer tax system and the Government's response to the Report has been to release the first phase of its tax plan providing a range of tax saving reforms.

There are a number of recommendations within the Report that have not been acknowledged or addressed by the Government. Accordingly, it is hoped in the coming months the Government will provide a further response in relation to these recommendations.

In addition to the announcements made by the Government in relation to the Henry Review, they have also made a number of announcements in relation to superannuation.

A summary of the Government's announcements is provided for your reference below:

### **Uniform Resources Tax (resources super profits tax)**

From 1 July 2012 a resources super profits tax will be introduced at a rate of 40% on 'super profits' made from the exploitation of Australia's non-renewable resources. It is important to note that this resources tax is a non-negotiable item if there is to be a cut in the corporate tax and the implementation of the further superannuation concessions offered.

### **Reduction to the company tax rate**

The company income tax rate will be reduced to 29% for the 2013-14 year and to 28% for the 2014-15 year. For Small Businesses the 28% rate will be applied from the 2012-13 year onwards.

### **Immediate write-off of depreciating assets**

Small businesses can obtain an immediate write-off on depreciating assets costing less than \$5,000.

Small businesses will also have the ability to pool all depreciating assets (other than buildings) using a single diminishing value rate of 30%.

## **Capital Gains Tax**

The Government has ruled out reducing the CGT discount and discount on negative gearing deductions.

Further, the removal of the pre-CGT concession as recommended in the Review has also been ruled out by the Government.

The Review recommended the possible introduction of death and gift taxes, subject to a review by the Government in this area. The Government has ruled out bequests tax.

## **Superannuation**

The Government has announced a number of initiatives in relation to superannuation over the coming years. Just as important as these initiatives, is the fact that the announcement did not contain a reduction or change to any of the current superannuation concessions in place. A summary of the new initiatives announced are outlined below.

The Government has increased the age limit for superannuation guarantee from 70 to 75.

From July 2012 the concessional contributions cap will increase to \$50,000 p.a. for those who have attained age 50 and have a total superannuation worth less than \$500,000.

The Government will make superannuation contributions up to the value of \$500 for low income earners (those earning less than \$37,000) from July 2012.

The superannuation guarantee rate will be increased from 9% to 12% over a seven year period, starting from July 2013. The Government has advised that the reason for delaying the start date for the increase is to allow businesses to plan ahead and factor this extra cost.

Davidsons will be running a seminar within the next few weeks to discuss the Henry Review and the 2010/11 Federal Budget Announcements. More information will be provided on this in due course.

In the meantime, if you have any queries in relation to these announcements or the Henry Review itself, please do not hesitate to contact your Davidsons team member.

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