

## THE GOVERNMENT'S RESPONSE TO THE HENRY REVIEW – PHASE 1

Released on 2 May, the Government's long awaited response to the Henry review fell short of the comprehensive change predicted by many. Representing only phase one of a series of anticipated changes, the reforms released are only part of the picture and focus exclusively on resource, company and small business taxation.

Some of the more aggressive reforms and those likely to have an immediate budgetary impact are yet to be acted upon. We will anxiously await the Federal Budget on 11 May to see what it contains (or perhaps the post election Budget). Releasing the reforms Treasurer Wayne Swan stated that over the coming months "...we will have more to say on a number of other areas considered by the review, especially making tax time simpler for everyday Australians, improving incentives to save and improving the governance and transparency of the tax system."

The reforms contained in the first wave of the Henry Review are funded by a Resource Super Profits Tax that capitalises on the resources boom and will see the Government increase its share from this sector to around \$9 billion (assuming that the estimates used to calculate the tax take are accurate).

### Key changes include:

- Phased reduction in the company tax rate to 28% in 2014/2015 (estimated implementation date - 1 July 2013)
- Reduction in the company tax rate to 28% for small business entities (under \$2m turnover) from 2012/2013 (estimated implementation date - 1 July 2012)
- Instant asset write off and simplified depreciation – expands the capital allowance concessions available for SBEs under \$2m (estimated implementation date - 1 July 2012)
- Incremental increases to super guarantee each financial year to reach 12% by 2019/2020 (estimated implementation date - 1 July 2013)
- Superannuation guarantee age limit increased to 75 years (estimated implementation date - 1 July 2013)
- A higher 'catch up' contribution cap of \$50,000 for those 50 and over with super balances less than \$500,000 (estimated implementation date - 1 July 2012)
- A superannuation contribution from the government of up to \$500 pa for those on adjusted taxable incomes up to \$37,000 (estimated implementation date - Contributions made from 1 July 2012 - paid in 2013/2014)
- 40% profits tax on non-renewable resources (Resource Super Profits Tax or RSPT) (estimated implementation date - 1 July 2012)
- Refundable tax offset set at the company tax rate for exploration expenditure in Australia (estimated implementation date - exploration expenditure on or after 1 July 2011)
- \$700 million infrastructure fund to be divided up among the states. Derived from the RSPT (estimated implementation date - 2012/2013)

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