

## Policy Implementation on 1 July 2012

June 2012

A number of the Government's significant policy initiatives and taxation changes will come into effect on 1 July 2012. This paper will provide a brief overview of a number of these initiatives, and link to more detail on each item.

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### *Climate Change and Energy Efficiency*

#### **The Carbon Price**

The Government's carbon pricing mechanism, part of the Clean Energy Future package will come into effect from 1 July 2012. This fixed price mechanism will move to a floating price Emissions Trading Scheme (ETS) from 1 July 2015 onwards. A detailed paper on the carbon pricing mechanism and the Clean Energy Future package compiled by Hawker Britton is available [here](#).

#### **The Australian Renewable Energy Agency**

The [Australian Renewable Energy Agency \(ARENA\)](#), established under the Clean Energy Future package, consolidates the administration of \$3.2 billion in Government support for renewable energy technology innovation previously administered by the Australian Centre for Renewable Energy (ACRE), the Australian Solar Institute (ASI) and the Department of Resources, Energy and Tourism. ARENA will commence operations on 1 July 2012.

### *Health and Ageing*

#### **Personally Controlled Electronic Health Records**

From 1 July 2012, Australians can register for a Personally Controlled Electronic Health Record (PCEHR). The implementation of the PCEHR system has been a major focus of the Australian



Government's e-health agenda. A more detailed overview of the PCEHR system compiled by Hawker Britton is available [here](#).

### **Aged Care Reform**

The first of the suite of the reforms announced under *Living Longer Living Better* will be implemented from 1 July 2012. *Living Longer Living Better* is the Government's 10 year plan to reshape aged care in Australia. Over 10 years, 3.7 billion will be invested in Australia's aged care sector, with the first funds being available in the 2013-13 financial year. Hawker Britton has produced a comprehensive paper on the Living Longer Living Better reforms, available [here](#).

### **National Disability Insurance Scheme**

In the 2012-13 Federal Budget, the Government committed \$1 billion in funding over four years for the first stage of a National Disability Insurance Scheme (NDIS). The first initiatives under this funding will begin in the 2012-13 financial year. They include:

- \$240.3 million over four years from 2012-13 to build and operate the information technology system required to collect and analyse data to monitor client outcomes and measure the performance of the new arrangements;
- \$122.6 million over four years from 2012-13 to prepare the disability sector for the new way of delivering disability services with a focus on launch locations;
- \$53.0 million over four years from 2012-13 to establish a new National Disability Transition Agency to coordinate the implementation and manage the delivery of care and support to people with a disability in the launch locations from 2013-14; and
- \$18.3 million over four years from 2012-13 to continue the Commonwealth Taskforce responsible for providing policy advice to the government on the design, governance and funding of an NDIS.

More information on the NDIS can be found in Hawker Britton's occasional paper, available [here](#).

### ***Taxation and Superannuation – Business***

#### **Loss Carry-Back for Businesses**

In the 2012-13 Budget the Government introduced the Loss Carry-Back for business. The new rule will allow a company to receive a refund of tax previously paid, when losses are incurred in a later year. Previously businesses were only able to 'carry forward' losses.

From 1 July 2012 the rules will allow a one-year-carry-back provision, so that a loss incurred in the 2012-13 financial year can be applied against income earned and taxed in the 2011-12 financial year. From

the 2013-14 financial year the loss carry-back rules will allow losses to be applied to the two previous income years.

The carry-back of losses will be capped at \$1 million for each year of profit, so that the maximum benefit of the new rules are \$300,000 per year. More information on the carry-back is available in the 2012-13 Budget papers, [here](#).

### **Withholding Tax for Managed Investment Trusts**

In the 2012-13 Budget the Government announced that the final withholding tax for managed investment trust from 1 July 2012 will be increased from 7.5 per cent to 15 per cent.

However, the Government will introduce legislation to support investment in new energy efficient buildings. From 1 July 2012, managed investment trust that only hold newly constructed energy efficient building will be eligible for a 10 per cent withholding rate.

The concession will be available in relation to office buildings that have obtained a 5-star Green Star rating or a predicted 5.5 star NABERS rating, and retail centres and non-residential accommodation that meet equivalent standards. The regime will apply where construction of the building commences after 1 July 2012.

More information is available via the Treasury website, [here](#).

### **Small Businesses**

From 1 July 2012 small businesses will be able to immediately write-off each and every business asset they buy that costs less than \$6,500. In addition, small businesses will also be able to immediately deduct the first \$5,000 of the cost of new or used motor vehicles they purchase from 2012-13.

More information is available in the 2012-13 Budget papers, [here](#).

### **Resource Rent Taxes**

From 1 July 2012, the Government's new Resource Rent Tax regime comes into effect. This includes the introduction of the Minerals Resource Rent Tax (MRRT) and the expansion of the Petroleum Resource Rent Tax (PRRT) to apply to all Australian onshore and offshore oil and gas projects, including the North West Shelf, oil shale and coal seam gas projects. A detailed guide to the Resource Rent Tax regime compiled by Hawker Britton can be found [here](#). A short fact sheet on the Resource Rent Tax regime can be found [here](#).

## *Taxation and Superannuation – Individuals*

### **Superannuation**

From 1 July 2012, the standard \$25,000 concessional contribution limit will apply to all taxpayers. The Government has deferred its previous proposal to increase the concessional contribution limit for persons over 50 with superannuation balances of less than \$500,000.

Further, the tax on concessional superannuation contributions doubles from 15 per cent to 30 per cent on contributions made by individuals who earn more than \$300,000. More information is available via the ATO's website, [here](#).

### **Personal Income**

From 1 July 2012 the tax free threshold from individuals will be increase from \$6,000 to \$18,200 as part of the Governments Household Assistance Package under the Clean Energy Future initiative. At the same time the two bottom tax brackets, currently 15 per cent and 30 per cent respectively, will be increased to 19 per cent and 32.5 per cent.

More information is available via the Government's tax reform website, [here](#).

### **Schoolkids Bonus**

The Government has announced that the Education Tax Refund will be replaced by a new Schoolkids Bonus. As part of the transition from the Education Tax Refund to the new Schoolkids Bonus, the Education Tax Refund for the 2011-12 income year will be paid out in full to all eligible families as a lump sum payment in June 2012. Eligibility for the new Schoolkids bonus is the same as for the existing Education Tax Refund.

More information is available via the Government's dedicated education tax refund website, [here](#).

### **Living Away From Home Allowance**

*NB: The changes to the Living Away From Home Allowance (LAFHA) was set to take effect on 1 July 2012, but on the 28 June the Government announced a three month delay in the cuts to the LAHFA, postponing it until 1 October 2012.*

Following the release of the 2011-12 Mid-Year Economic and Fiscal Outlook in November last year, the Treasurer announced that the Government intended to amend Living Away from Home allowance (LAFHA) rules with effect from 2012. These changes will mainly affect temporary residents on 457 visas.

From 1 October 2012 the new rules will require the resident to maintain a home of their own in Australia and to be living away from that home for work purposes. All temporary residents who are not maintaining a home in Australia (that they are living away from), will lose access to the concession as of 1 October 2012. Permanent residents who had LAFHA arrangements in place prior to 8 May 2012 can continue under the old rule until 1 July 2014. However, from 1 October 2012 all individuals receiving the LAFHA will have to substantiate their actual expenditure on accommodation and food.

Also, from 1 October 2012 LAFHA will only be available for a maximum of 12 months, except for fly-in-fly-out workers. More information on the changes to LAFHA is available via the Treasury website, [here](#).

### Private Health Insurance Rebate & Medicare Levy Surcharge

From 1 July 2012, the private health insurance rebate will be means tested. The testing will affect the rebate for individuals earning more than \$84,000, or households earning more than \$168,000 in the 2012-13 financial year.

From 1 July 2012, the Medicare Levy Surcharge, which is levied on payers of Australian tax who do not have private hospital cover and who earn above a certain income, will increase for some tax payers.

The changes to the rebate and surcharge are outlined in the table below.

	<b>Singles</b>	<b>&lt;\$84,000</b>	<b>\$84,001-97,000</b>	<b>\$97,001-130,000</b>	<b>&gt;\$130,001</b>
	<b>Families</b>	<b>&lt;\$168,000</b>	<b>\$168,001-194,000</b>	<b>\$194,001-260,000</b>	<b>&gt;\$260,001</b>
<b>Rebate</b>					
< age 65		30%	20%	10%	0%
Age 65-69		35%	25%	15%	0%
Age 70+		40%	30%	20%	0%
<b>Medicare Levy Surcharge</b>					
All ages		0.00%	1.00%	1.25%	1.50%

More information is available via the Government’s private health insurance website, [here](#).

## Government

### Commonwealth Procurement Rules

The new Commonwealth Procurement Rules (CPRs) will come into effect on 1 July, providing Australian Government officials with streamlined rules to achieve value for money when procuring goods and services.

Key changes include:



- the CPRs are now rules (previously, they were Guidelines);
- “value for money” has been reworded to clarify that it incorporates other policies of the Commonwealth and applies to the entire procurement process;
- the AusTender 42 day reporting requirements has been clarified; and
- a new exemption from Division 2 has been added for procurement from a SME with at least 50 per cent Indigenous ownership.

More information on the CPRs is available via the Department of Finance website, [here](#).

## *Industry*

### **Shipping Reforms**

The Government's *Stronger Shipping for a Stronger Economy* shipping reform package will come into effect on 1 July 2012. The reforms are aimed at revitalising the Australian shipping industry and increasing the number of Australian-flagged vessels. More information about the implementation of these and other elements of the *Stronger Shipping for a Stronger Economy* package is available online at Government's shipping website, [here](#).

For more information on any of the above changes, please contact your Hawker Britton consultant.