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## The Henry Review

# How will the Government's superannuation changes affect you?

**A**re you aware of the Federal Government's proposed changes to superannuation following the recent release of its Resources Super Profits Tax proposal?

In this article based on information released by the Treasurer's Department we look in detail at the intended changes. We must caution, however, that these proposals could be changed during the course of the legislative process.

The proposed changes are as follows:

- A 12 per cent Superannuation Guarantee (SG) – commencing with a 0.25 increase in 2013-14 and 2014-15, followed by 0.5 increments until the SG reaches 12 per cent by 2019-20. The three year lead time recognises that employers and employees need to factor this into future wage negotiations.
- A low income earners Government contribution – from 1 July 2012. The Government will provide a contribution of up to \$500 annually

into the superannuation account of workers on adjusted taxable incomes of up to \$37,000. This will provide a reward for savings for low income earners by ensuring no tax is paid on SG contributions. The Government will also retain the co-contribution scheme but, according to the Budget will in future contribute \$1 for each \$1 contributed by individuals up to a maximum of \$1000. People with incomes up to \$31,920 can qualify for the maximum contribution, which phases out at an income of \$61,920.

- Concessional superannuation contribution caps for those nearing retirement – from 1 July 2012. Workers aged 50 and over with superannuation balances below \$500,000 will be able to make up to \$50,000 in annual, concessional superannuation contributions. This measure is expected to benefit 275,000 people.
- Raising the Superannuation Guarantee age limit from 70 to 75 – from 1 July

2013. The SG age limit will be raised to 75, which for the first time means workers aged 70 to 74 will be eligible to have SG contributions made on their behalf. Around 33,000 employees are expected to benefit from this measure.

The Government says that as a result of these reforms 8.4 million Australians will receive an increase in their retirement incomes. It claims that:

- An employee aged 30 today on average weekly earnings, will retire with an additional \$108,000 in superannuation.
- A female aged 30 today on average weekly earnings, with an interrupted work pattern, will retire with an additional \$78,000 in superannuation.
- The superannuation savings of 3.5 million Australians on lower incomes will be boosted by \$830 million over the forward estimates.

The Government says it plans to consult with industry on the implementation of these measures.

## Ballast opens three NEW OFFICES in WA

**As part of its rapidly increasing growth plans, Ballast has opened three new offices within Western Australia.**

Ballast will now be able to service clients locally in the South Perth, Melville and the Goldfields region of WA.

Ballast General Manager, Frank Paratore said, "Increasing the reach of our operations is essential in maintaining a growing, successful business. Our newly-opened outlets will allow Ballast to

increase its presence in WA and continue to provide the highest standard of financial services and products to our new and existing client base.

"Every new outlet is able to offer extensive services to clients in the areas of finance, accounting, financial planning, settlements, superannuation and insurance," Frank said.

The licensees of the three new stores are Mr Jose Zurro (South Perth and Goldfields) and Mr Laurence Pace and Mr

Lindsay Linfoot (Melville).

In coming months Ballast is expected to announce more exciting growth ventures both locally and interstate.

Ballast is an Australian owned and operated 'boutique' national financial services organisation, dedicated to providing advisers and clients with an integrated range of financial services, including finance, accounting, mortgages, settlements, superannuation and insurance.

## Budget 2010

# Behind the headlines

**They weren't all mentioned in the press but the following are some of the measures affecting small businesses contained in the 2010 Federal Budget.**

**Training:** The government plans to spend \$200 million to provide 39,000 new training places in the infrastructure, construction, renewable energy and resources sectors. The Apprentice Kickstart program is to be extended, supporting an additional 22,500 places.

**Business names:** Registering business names is to be simplified. Instead of having to be done separately in each state in which they operate, small business owners will only have to do it once.

**Skills migration:** There is no change in the overall migration program which will include 113,850 places for migrants qualifying in the skills category. The employer sponsored skilled migration program will offer an additional 9150 places.

**GST compliance:** Effective from July 1, 2012 there will be some GST changes aimed at reducing red tape.

**The cash economy:** The ATO has been given an additional \$108m over four years to increase compliance in relation to small business operators conducting some or all of their business in the cash economy.

**Stimulus for renewables:** A Renewable Energy Future Fund has been created to develop and establish large and small scale renewable energy projects and to help businesses and households reduce their energy consumption.

**Franchise operations:** Franchisees and franchisors will have access to enhanced mediation and dispute resolution services in line with the new Franchising Code, according to the Council of Small Business of Australia.

**Company tax, superannuation etc:** Changes to company taxes and superannuation were announced earlier in the Government's reaction to the Henry Review. See other articles in this issue for details. According to the Treasurer, they are tied to the passing of the Super Profits Resources Tax proposal.

**Tax on interest:** From July 1, 2011 individuals will be able to claim a 50% tax discount on up to \$1000 of interest earned.

**Easier tax returns:** From July 1, 2012, individuals will have the choice of claiming a \$500 standard deduction in their tax returns, replacing current deductions for their work related expenses. This will increase to \$1000 the following tax year.

**What is missing?** Jaye Radisich, CEO of the Council of Small Business of Australia said that going forward small businesses would continue to call for more streamlined tax arrangements for sole traders and independent contractors, trust reforms and positive FBT changes.

Various interest groups have expressed disappointment at among other things a lack of further policy responses to the Henry Review in areas such as state tax reform, stamp duties, payroll tax, the simplification of Fringe Benefits Tax and major uncertainties around discretionary trusts and the use of corporate beneficiaries.

## Ausminer joins up with Ballast

**A**usminer Financial Group under the directorship of Jose Zurro are pleased to announce their affiliation with Ballast Financial Management.

Jose and his team will now be known as Ballast South Perth and will continue to provide the same services under this new identity.

Our Head Office is now located at 11 Hardy Street, South Perth and Jose will continue to service the Goldfields and Pilbara regions with offices in Kambalda and Tom Price.



## Budget 2010



### No respite for chronic housing shortage and worsening affordability – HIA

While the 2010 Federal Budget was economically sensible and provided some useful incentives for households, businesses and workforce skills, it contained little to address Australia's chronic housing shortage and worsening affordability, according to Shane Goodwin, Managing Director of the Housing Industry Association.

"Unfortunately, the budget fails to deliver measures to alleviate Australia's chronic housing shortage," Goodwin said. "The Federal Government's own Housing Supply Council

estimates Australia's housing shortage at nearly 200,000 in 2010 and projects that shortage to double over the next 10 years."

Goodwin added that Australia's housing pipeline remained clogged by exorbitant infrastructure costs, planning delays and slow land release.

"Until these bottlenecks are removed many Australian families will remain locked out of home ownership as house prices and rents push ever-higher," he said.

## Laurence welcomes Ballast tie-up

**Laurence Pace, who along with Lindsay Linfoot, is the licensee of Ballast's new Melville office, is delighted to join forces with Ballast to share in their well established reputation of being a leader in the industry.**

Laurence has had more than 30 years experience in commerce and has spent the last four years in the finance industry. In this time he has come to be recognised as one of the leading

brokers in the commercial finance arena.

"Joining forces with Ballast is a natural progression for our business, as it gives us access

**// Home lending is an area that we wish to develop strongly over the next few years //**

to a wealth of experience in home lending as well as Ballast's advanced systems structured to deliver faster and better results to customers. Home lending is an area that we wish to develop strongly over the next few years", Laurence said.

When asked what made his business more successful than others Laurence said, "The formula to success is relatively simple - hard work, together with persistence and treating customers as though they are part of the family, which means caring for their needs and their financial welfare. We don't give up. Our goal is to find the best solution for them and we will work long hours to do it."

## Tax time

### A depreciation expert could save you a packet

**Everybody knows all about the taxation benefits of negative gearing. However, there are many investors who fail to take full advantage of other substantial tax credits due to owners of investment properties?**

One of the areas where many investors are missing out is depreciation.

So when should you take steps to ensure you are claiming the maximum allowable depreciation on your property? The short answer? When you buy the property. However, it's never too late to make sure you are getting it right.

To get the maximum tax benefit you should talk to people with particular expertise in this complex field, such as a recognised property tax depreciation expert.

Depreciation specialists use their intimate,

up-to-date understanding of tax laws and their construction costing skills to precisely determine what credits you are entitled to. They will ensure that the maximum number of depreciable items is identified - anything from the dwelling itself to capital works such as fencing, paving and even the garden shed.

And they will come up with a schedule which will clearly set out what you are entitled to claim for each depreciable item. In all likelihood, you will be able to increase your depreciation tax deduction. It may surprise you but in many cases the tax benefits from depreciation could be as substantial as the rental income, particularly with a recently constructed home.

What's more, you will save yourself a great deal of time and will avoid having to answer persistent queries from the taxation office.



# Interest rates – where to from here?

**Everybody, it seems is keen to know what will happen to interest rates.**

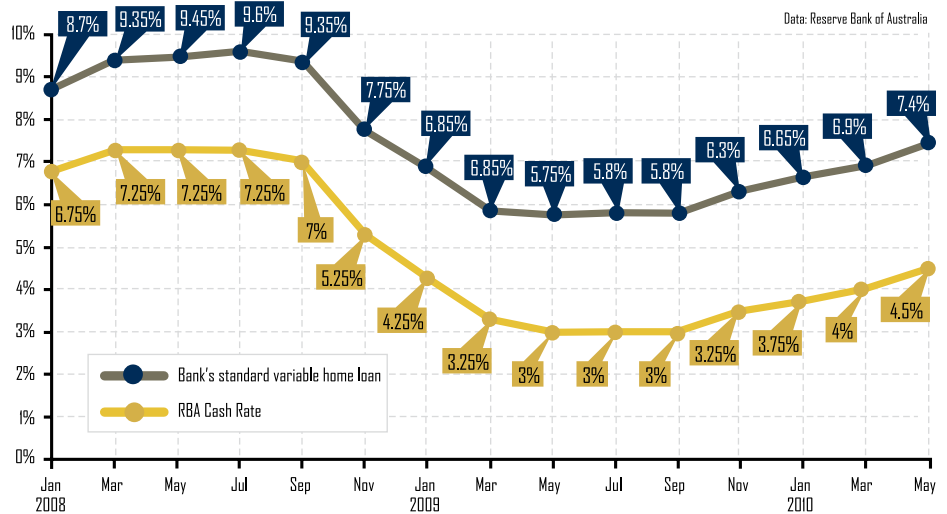
Unfortunately, no one seems to have a credible answer. It's a case of "your guess is as good as mine".

Every time the Governor of the Reserve Bank of Australia (RBA), Glenn Stevens opens his mouth, we get changing interpretations of his words in the media as commentators grapple with nuances behind his words.

So let's go back to basics and look at what Stevens actually told the House of Representatives Standing Committee on Economics in February this year. He said borrowing rates in Australia were still 50 to 100 basis points below 'average', a statement which appeared to indicate the future level of rate increases. This was followed by the three rate rises of 25 basis points in March, April and May

In the press release announcing the most recent 25 basis point May rise, Stevens stated that "as a result of today's decision, rates for most borrowers will be around average levels".

The May rise in the RBA's cash rate pushed the variable rate up to 7.4% which



is a little above the 10 year "average standard variable rate" of 7.26% (Source RP Data).

So if we've now reached the "average rate" Stevens was talking about, does that mean we won't see more rises in the immediate future? We certainly wouldn't bet on it. There are just too many unknowns and Stevens made it clear that inflation could re-emerge as a hurdle in the economy's recovery.

What we can say is that right now the variable rate of 7.4% is still a lot lower than the 9.6% variable rate peak in 2008.

Taking into account all the favourable market indicators, including subdued prices, this could be a good time to consider buying property. If you're thinking of buying your own home or investing in a property give your finance broker a call to identify all your options.

## The Henry Review

# Tax cuts won't benefit most small businesses - NIA

**How does the Federal Government propose to use funds raised by its recently announced Resource Super Profits tax and how will its planned tax cuts affect you and your business?**

According to the Government the proceeds will be used in three areas:

- To lower tax for all companies, especially small businesses;
- To invest in Australia's future infrastructure needs, particularly for mining states;
- To generate more superannuation savings for working families.

A phased reduction in company tax will reduce the rate from 30 to 28 per cent by 2015. Small businesses

will get a head start on the company tax cut, with the 28 per cent rate applying from 2012-13.

Small businesses will also benefit from a new instant write off for assets worth up to \$5,000. Depreciation for other assets will be simplified, reducing complexity, cutting red tape and providing up front tax relief.

Commenting on the changes, Andrew Conway of the National Institute of Accountants said, "Two-thirds of small business will not benefit from these initiatives as they are not incorporated and will also face the added impost of higher superannuation guarantee changes over time, which will absorb most of the savings they are entitled to."



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