



# Budget Update

## 2008 Federal Budget

As expected, this year's Budget contains no new or immediate changes to superannuation. However, some changes could affect how employers may pay superannuation contributions, individuals who salary sacrifice or salary package, and first home buyers.

### **Funding for SG Clearing House**

The Tax Office will establish a superannuation clearing house to help employers meet their choice of superannuation requirements for their employees.

The superannuation clearing house allows an employer to pay their contributions to a single location. The clearing house will then distribute the contributions to the superannuation funds chosen by each employee.

The clearing house facility will be free to small businesses with less than 20 employees. Larger businesses will be able to use the clearing house for a fee.

The facility will be available from 1 July 2009. At this stage it is unclear whether it will be run or merely funded by the ATO. The Government will consult with industry prior to implementing this measure.

### **Salary sacrificed super contributions will count in eligibility test for Government Support**

From 1 July 2009, income tests used to determine eligibility for a range of government financial assistance programs will be tightened to include forms of non wage remuneration.

Specifically, Salary Sacrifice contributions to superannuation will be assessed as income for all relevant tax and transfer programs, including income support payments for customers below or at Age Pension age, family assistance, child support and a range of government assistance delivered through the tax system.

For the purpose of means tested benefits, the changes will mean that individuals who have access to Salary Sacrifice to reduce their taxable income will be treated on an equal basis to those who do not.



### **First Home Saver Accounts (FHSA)**

The key outcome for the industry on FHSAs is that the Government has not changed its policy regarding the trust structure to be used by superannuation funds offering these products.

A public offer licensee who wants to offer an FHSA must do so under a separate trust structure from their existing superannuation trust.

Other changes are:

- The Government contribution will be a flat 17% of the first \$5,000 contributed annually. This will result in increased benefits for people on an annual income of \$80,000 or less.
- The start date has been deferred until 1 October 2008.
- The \$10,000 annual contribution cap has been replaced with one overall account balance cap of \$75,000 (indexed), after which no additional personal contributions can be made.
- On death the FHSA account balance will form part of the deceased's estate.
- The Government will simplify the product disclosure requirements and also provide for a 14 day cooling off period.

### **FBT changes hit salary packaging**

New measures to tighten FBT exemptions will reduce business salary packaging options.

The budget:

- Makes Salary Sacrifice meal arrangements and benefits provided jointly to an employee and as sociate (e.g., loans to jointly acquire income producing assets) subject to FBT
- Restricts the FBT exemption for laptops, PDAs, etc., to items used primarily for work purposes and limited to one item of each type per FBT year
- Eliminates the depreciation double dip (in personal returns and for FBT) on work related items.

Apart from the transitional arrangements applying to meal cards, these measures apply immediately.

In addition, changes to the child care rebate will reduce the attractiveness of salary sacrifice arrangements for on premises child care.

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