

## 2012 – 2013 Federal Budget Update

On 8 May 2012 the Federal Budget was released.

The 2012-13 Federal Budget has no major announcements that impact on the salary packaging concessions for not-for-profit organisations (i.e. the concessions available to Public Benevolent Institutions (PBI's), Health Promotion Charities (HPC's) and FBT Rebateable Organisations such as charities).

Accordingly the concession thresholds of \$30,000 Grossed Up Fringe Benefits have not changed and exempt benefits such as Meal Entertainment are still available to employees of PBI's & HPC's.

The previously announced tax rate changes in July 2011 that were designed to compensate households for the impact of the new Carbon Tax have been delivered and this means that the following tax rate table will apply from 1 July 2012.

### The new tax scales

	Current		2012-13		2015-16	
	Threshold (\$)	Marginal Rate	Threshold	Marginal Rate	Threshold	Marginal Rate
1st Rate	6,001	15%	18,201	19%	19,401	19%
2nd Rate	37,001	30%	37,001	32.5%	37,001	33%
3rd Rate	80,001	37%	80,001	37%	80,001	37%
4th Rate	180,001	45%	180,001	45%	180,001	45%
LITO	Up to \$1,500	4% withdrawal rate on income over \$30,000	Up to \$445	1.5% withdrawal rate on income over \$37,000	Up to \$300	1% withdrawal rate on income over \$37,000
Effective tax free threshold	16,000		20,542		20,979	

This means that an employee of a PBI using the *Community Salary Packaging General Expenses Card* to pay for the maximum of \$16,049 tax free will now be able to earn up to \$36,591 without paying any tax as a result of salary packaging.

This would save that employee a potential of \$3,049.31 in tax!

**Any employee of a PBI earning over \$53,050 will now save (based on the new tax scales) at least \$5,456.66 in tax (including the Medicare Levy). This means that salary packaging is still a great way to increase the take home pay of your employees!**

The only changes relating to FBT that were announced in the 2012-13 budget relate to Living Away From Home Allowances and airline transport benefits which only effect a very minor number of employees in the not-for-profit sector.

There were also no new announcements in relation to other 'Not-For-Profit' reforms in the budget papers apart from a recommitment from the Government to implementing the unrelated business income tax (UBIT) regime on charities and not-for-profits. There were no other specific sector tax reforms or announcements made.

We will continue to monitor for updates in relation to the implementation and introduction of the Australian Charities and Not-For-Profit Commission (ACNC) in October 2012 as announced last year and we will monitor the UBIT reforms currently being considered by the Federal Government.

The measures are currently being consulted on by Treasury and an exposure draft of the proposed regime is expected in the coming months.

If you have any questions please feel free to contact our office on 1300 737 061 and do not hesitate to forward this update to any other organisation that you think may benefit from this information.