



Henry Tax Review



- Reforming personal tax rates and scales
- Changes to fringe benefits tax
- Standardised work deductions
- Discounting the tax rate on savings
- Review of the taxation arrangements for other business entities, such as trusts.

So as can be seen, the review did cover a wide range of areas and topics. However, no legislation has yet to be drafted for either review by the parliament or the public.

In addition, the changes that have been proposed to the RSPT and its amendment to the Minerals Resource Rent Tax (MRRT) may well change many of the proposals going forward into the future especially if the Senate was to block the new MRRT.

However, what will be interesting, if the proposals proceed in the future, will be to see how the various lobby and special interest groups deal with the government in order to ensure their members are not disadvantaged by any changes. It will also be interesting to see how close any proposed legislation is to the original recommendations by Henry.

Taxation reform is fundamental to the continuing evolution of business in Australia. As we have seen in the past weeks with the 'goings on' surrounding the RSPT, business needs certainty in order to operate, or plans start to get shelved and capital markets around the world start to view Australia as a risk to invest in. Let's just hope there is a reasonable degree of consultation on any changes so that we avoid instability in the business community.

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The Henry Tax Review was about far more than the Resource Super Profits Tax, but what does it mean for small business?

Given it has contributed to the downfall of a Prime Minister and dominated the media over the period from its initial release on 2 May 2010, you could be forgiven for thinking that the Henry Tax Review was about one thing – the Resource Super Profits Tax (RSPT).

However, the Henry Tax Review's final report made some 138 recommendations covering all areas and sizes of business. Here we look briefly at some of the recommendations that are likely to impact on small businesses.

If you are a business with less than \$2 million in turnover, the Henry Review should have a positive impact on your business. Unfortunately, there was no recommendation to lift that threshold to, say, \$5 million – which is much more reflective of fast growing small businesses and those emerging medium size businesses.

Henry recommended that the rate on company tax be reduced from 30% to 28% from 2012/2013. Given the recent changes under Gillard to the RSPT, it has been flagged that the new rate recommendation is being reviewed.

One of the other recommendations that the government has adopted is that small business will get an immediate write-off for assets worth up to \$5,000. This initiative will kick in from 1 July 2012. In addition, the simplified depreciation regime will be further streamlined to allow depreciation of assets at a 30% rate in a single asset pool.

However, while there were some positives, there were also some additional burdens. From 2013 there will be increased employer superannuation contributions until it reaches a level of 12% by 2019/2020. In addition, the entitlement to the Superannuation Guarantee Charge will be broadened by increasing the maximum age threshold from 70 to 75 years of age.

The concessional cap on superannuation will

also be lifted for workers under 50 years of age to \$50,000 provided their superannuation balance is less than \$500,000.

So what wasn't looked at? For a start there was no review of state based payroll taxes. Given this is a tax on employment, and can deter those employers near the payroll tax threshold from employing staff, one would think that it was an area ripe for review.

Furthermore, as has been documented, Henry was specifically excluded by the government from reviewing the GST system. Given the GST is the crux of state based revenue this was surprising, especially when the states have not implemented all the tax reforms that were promised with the introduction of the GST.

Some of the specific recommendations that were rejected by the government include:

- Including the family home in means tests
- Imposing land tax on the family home
- Applying a discount to negative gearing deductions
- Removing the Medicare levy surcharge
- Introducing a bequests tax
- Reducing the capital gains tax discount
- Requiring parents to work when their youngest child turns four.

Some of the proposals that the government has not responded to include:

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