

24<sup>th</sup> of March 2009

## Opportunities & Strategies with the Federal Government Stimulus Package

Most people would be aware of the Federal Governments stimulus package. There are many aspects to this but the main one is the Tax Bonus for Working Australians which is being paid early next month. There is little anyone can do about this because it is dependant on your assessable income as at 30<sup>th</sup> of June last year.

To recap though the amended bonus received continues to be subject to an income threshold test, which determines that a:

- \$900 (instead of \$950) bonus will be paid to eligible taxpayers with a taxable income of up to and including \$80,000
- \$600 (instead of \$650) bonus will be paid to eligible taxpayers with income exceeding \$80,000 and up to and including \$90,000, and
- \$250 (instead of \$300) bonus will be paid to eligible taxpayers with income exceeding \$90,000 and up to and including \$100,000.

You have to lodge your tax return by 30<sup>th</sup> of June this year to qualify.

Bonus recipients will **not** need to apply to the Australian Taxation Office (ATO) for payment. Eligible taxpayers will receive their payments from April 2009 on completing their 2007/08 tax return. Payments will either be made by electronic transfer or cheque.

The ATO requests individuals contact them on 1300 686 636 if their personal information (bank account or address details) has changed.

There are many other parts to the stimulus package which need to be considered though. An outline of each of the benefits on offer is listed below.

### Eligibility at a glance

**Please Note:** Eligibility for all bonus payments is based on your entitlement on 3 February 2009\*.

| Payment                           | Who will get it?  | How much?                | When will it be paid?  |
|-----------------------------------|---|--------------------------|--|
| <b>Single Income Family Bonus</b> | Recipients of Family Tax Benefit Part B   | \$900 per family         | If you get your FTB payment fortnightly: <ul style="list-style-type: none"> <li>• 11 to 20 March 2009</li> </ul> If you get your FTB payment annually: <ul style="list-style-type: none"> <li>• after you lodge your FTB claim and 2008-09 tax return</li> </ul> |
| <b>Back to School Bonus</b>       | Recipients of Family Tax Benefit Part A with a child aged 4-18 years old (inclusive)                              | \$950 per eligible child | If you get your FTB payment fortnightly: <ul style="list-style-type: none"> <li>• 11 to 20 March 2009</li> </ul> If you get your FTB payment annually: <ul style="list-style-type: none"> <li>• after you lodge your FTB claim and 2008-09 tax return</li> </ul> |
|                                   | Recipients of Carer Payment or Disability Support Pension who on 3 February 2009 were aged less than 19 years old | \$950                    | 11 to 20 March 2009  |

|  |   |   |  |
|--|---|---|--|
| <b>Farmer's Hardship Payment</b>                         | Recipients of: <ul style="list-style-type: none"> <li>• Exceptional Circumstances Relief Payment - farmers and small businesses</li> <li>• Transitional Income Support</li> <li>• Interim Income Support - farmers and small business, or</li> <li>• Farm Help Income Support</li> </ul>  | \$950   | 24 March to 6 April 2009   |
| <b>Training and Learning Bonus</b>                       |   |   |  |
| One off Training and Learning bonus                      | Recipients of: <ul style="list-style-type: none"> <li>• Youth Allowance (Students and Australian Apprentices)</li> <li>• Austudy</li> <li>• ABSTUDY Living Allowance (if aged 16 and over or independent)</li> <li>• Sickness Allowance</li> <li>• Special Benefit (who were under age pension age on 14 October 2008)</li> </ul> | \$950   | 24 March to 6 April 2009   |
| One off Training and Learning bonus - Family Tax Benefit | Recipients of Family Tax Benefit Part A with a child aged 21-24 years (inclusive) who is a full-time student  | \$950   | If you get your FTB payment fortnightly <ul style="list-style-type: none"> <li>• 25 March to 3 April 2009</li> </ul> If you get your FTB payment annually: <ul style="list-style-type: none"> <li>• after you lodge your FTB claim and 2008-09 tax return</li> </ul> |
| Education Entry Payment (EdEP) Temporary Supplement      | Customers who would normally qualify for EdEP, plus Youth Allowance customers looking for work.<br><br>The requirement for customers to be receiving a payment for 12 months before being eligible for EdEP has also been reduced to 4 weeks  | \$950 - in addition to the existing EdEP of \$208 | The supplement will start being paid from 24 March 2009 and will be backdated to include people eligible from 1 January 2009   |

## What are the opportunities and strategies you can consider?

### Single Income Family Bonus and the Back to School Bonus

For those who missed out on the first round; don't lose faith as there is still an opportunity to secure your piece of the package. For many people it looks like they will miss out because they do not qualify for Family Tax Benefit Part A or B.

If their taxable income falls below the thresholds this year though (and this can quite often be achieved by some careful planning and structuring of investments) they will qualify for the single income family bonus and the back to school bonus.

For a family with three eligible children this could mean \$3,800 extra tax free cash.

## **One off Training and Learning bonus**

For people with older children studying, or receiving youth allowance (normally students and apprentices), Austudy, Abstudy living allowance, sickness allowance or special benefit they may be eligible for \$950 also.

Families who receive FTB part A with children, aged between 21-24 who are studying; can also receive \$950.

## **Case Study**

Clients I saw this week were a couple with 2 school age children. The husband earns \$120,000 and the wife worked part time earning \$18,000. They currently are not eligible for any Family Tax Benefits.

We suggest they establish a range of investments which effectively creates tax deductions in turn lowering their income sufficiently to qualify for the benefits. Now they are entitled to over \$3,000 of FTB Part A & B but also receive \$900 in Single Income Family Bonus (because they receive FTB Part B) and they also receive the back to school bonus for each of their two children.

In addition to this they also have a range of investments that will provide returns in years to come duly aided by the Government.

The overall tax savings and bonuses amounted to well over \$10,000.

## **Small Business and General Business Tax Break**

The government has also announced an increase tax deduction of 30% this year on eligible new expenditure on depreciating assets for businesses turning over less than \$2M per year. Next year it will drop to 10%. For larger businesses it is 10% this year. People should be talking to their accountant or financial adviser to make sure they understand this fully.

## ***Disclaimer***

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