



BUSINESS & INVESTMENT ADVISORS

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INTEREST RATES ON HOLD

At its meeting this morning the RBA decided **to leave interest rates on hold** which, at 3.0% remain at their lowest level in 49 years. This comes as no real surprise given that upon announcing the 0.25% reduction last month, Governor Glenn Stevens, stated that "Considerable economic policy stimulus is in train in most countries, the full effects of which are not yet discernible, but which should help contain the downturn over the rest of the year." He added further that "The stance of monetary policy.....will provide significant support to domestic demand over the period ahead."

One would be brave to speculate in the current turbulent environment, however with equity markets showing tentative signs of recovery, the Australian economy beginning to stabilise and the banks' reluctance to pass on rate cuts; it is not inconceivable that we could have seen the last of the rate cuts in the present cycle.

MINIMUM PENSION PAYMENTS OFFICIALLY LOWERED

New legislation has officially enacted the recent announcement that the minimum pension payments for the current financial year will be halved. This measure addresses concerns that the minimum payment amounts were set based on account balances at 1 July 2008, when most balances were much higher than they are today. The change applies to a range of pensions including account-based pensions (ABP's), allocated pensions and transition to retirement allocated pensions and income streams (TRIS's).

Essentially this means that the relevant minimum percentage factors for ABP's and TRIS's for the current financial year for someone aged <65 is 2%, 65-74 2.5%, 75-79 3% and so on.

Note that this only applies to the current financial year (i.e. the year commencing 1 July 2008). In future years the usual amounts will apply unless further relief is forthcoming. Unfortunately however, the changes come too late for those who have already paid their minimum pension amounts for the current year. For example, no special rules were introduced to allow pensioners to return amounts paid in the current financial year in excess of the new minimums to their fund without the returned amounts being counted as a contribution subject to the regular rules relating to contributions. The changes will also affect the prorated minimum payment amount if the pension commenced this year.

PAYROLL TAX CUTS REAFFIRMED

The NSW Government has reaffirmed its commitment to permanently cut payroll tax rates as part of its stimulus to the NSW economy over the four years to 2011/12. The rate is being reduced in three stages, having started from 1 January this year:

- from 6% to 5.75% from 1 January 2009
- from 5.75% to 5.65% from 1 January 2010
- from 5.65% to 5.5% from 1 January 2011

Note also that from 1 January 2009 the payroll tax threshold was increased to \$623,000. This threshold will be indexed annually in line with CPI.

SUPERANNUATION RATES AND THRESHOLDS FOR 2009/10

The ATO has released details of the key superannuation rates and thresholds that are to apply from 1 July 2009.

Contributions Caps – the concessional (tax deductible) contributions cap is \$55,000. Note however that from 1 July 2007 to 30 June 2012 a transitional cap of \$100,000 applies for people aged 50 or over. The non-concessional (non tax deductible) cap is \$165,000. Note also that the “bring forward” option means that people aged under 65 can contribute \$495,000 over three years.

Superannuation Benefits – the low rate threshold for super lump sum payments is capped at \$150,000 for 2009/10. The minimum withdrawal percentages, assuming the current year halving of rates is not extended, will be:

- Age <65 4%
- Age 65 – 74 5%
- Age 75 - 79 6%
- Age 80 - 84 7%
- Age 85 – 89 9%

- Age 90 – 94 11%
- Age over 95 14%

TRADING STOCK TAKEN FOR PRIVATE USE

The ATO has issued a draft ruling which states that when a partner in a partnership takes goods held as trading stock for private use there is a supply by the partnership for GST purposes. If the other elements of the GST legislation are satisfied, which they usually are, then provided it is not a GST free or input taxed supply, the supply will be taxable and therefore GST will need to be calculated and included on the next BAS. Where there is no consideration for the goods taken, your calculations must be based on their market value.

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