

Carbon Tax Summary

Yesterday the Federal Government announced its plan in relation to the implementation of a proposed carbon tax.

Below is a snapshot of the plan:

Carbon Price

- A carbon price has been set at \$23 per tonne for the year beginning 1 July 2012. It will increase at the rate of 2.5 percent (in real terms) until 1 July 2015 when Australia becomes part of a full carbon trading system. The carbon price at this time will be set by the market;

Implications

- The tax will apply to approximately 500 high polluting companies;
- As a result of the tax, it is expected that business costs (particularly electricity) will increase. The Government anticipates that businesses will need to increase prices to cover these costs;
- The Government expects the average household will be approximately \$9.90 per week worse off, before any compensation, as a result of the plan;
- Fuel for light commercial vehicles (on-road vehicles of less than 4.5 tonnes) will be exempt from the tax (however they will still be subject to the current fuel excise);
- Fuel for off-road business use will see the carbon tax apply to the fuel they use. However, the current fuel excise will be reduced by an amount effectively equal to the carbon tax they will now pay;
- Fuel for on-road heavy vehicles (over 4.5 tonnes) will not face a carbon tax until 1 July 2014. Those vehicles that use LPG, LNG and CNG will effectively pay no carbon tax;

Assistance

Business

- Some of the assistance measures being offered to business are:
 - For businesses with an aggregated turnover of less than \$2 million a year, the small business instant asset write-off threshold will be increased from \$5,000 to \$6,500 for depreciable assets from the 2012-13 income year;
 - The Government will establish a \$40 million Energy Efficiency Information Grants program to provide information to small and medium businesses and community organisations on practical measures they can take to reduce their energy costs;
 - The Government will inject an extra \$5 million over four years to improve delivery of clean technology advice and other non-grant business support programs to small and medium businesses;
 - The \$800 million Clean Technology Investment Program will provide grants to manufacturers to support investments in energy efficient capital equipment and low-pollution technologies, processes and products;
 - Special assistance will be provided to the food processing, metal forging and foundry industries, due to them having a somewhat higher exposure to energy costs than general manufacturing businesses;

Accolade

Ideas & information for the clients of MGI

July 2011

Households

- The following household assistance has been announced, which targets low and middle income families:
 - pensioners and self-funded retirees (who hold a health care card) will get up to \$338 extra per year if they are single and up to \$510 per year for couples, combined;
 - families receiving Family Tax Benefit Part A will get up to an extra \$110 per child per year
 - eligible families will get up to an extra \$69 per year in Family Tax Benefit Part B;
 - allowance recipients will get up to \$218 extra per year for singles, \$234 per year for single parents and \$390 per year for couples combined;
 - fuel for personal consumption will be exempt from the tax (however it will still be subject to the current fuel excise).
 - taxpayers with annual income of under \$80,000 will receive a tax cut, with most receiving at least \$300 per year (see proposed tax rates table below);

	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%
Low Income Tax Offset	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	

- The assistance measures mean that on average households will receive \$10.10 per week to cover the expected average rise in costs of \$9.00 due to the carbon tax.
- Families with an income of over \$180,000 will receive no tax cuts or government assistance nor will single people earning more than \$80,000.

Around one million households will not receive any assistance.

Contact us:

Brisbane Office

Ph: +61 7 3002 4800

Fax: +61 7 3229 5603

Add: Level 1, 200 Mary St
Brisbane Qld 4000

email: info@mgisq.com.au

web: www.mgisq.com.au

Gold Coast Office

Ph: +61 7 5591 1661

Fax: +61 7 5591 1772

Add: Level 3, 64 Marine Parade
Southport Qld 4215

email: info@mgisq.com.au

web: www.mgisq.com.au



DISCLAIMER: This newsletter has been prepared as a guide for the use of clients of MGI South Qld Pty Ltd. Any comments or articles are of a general nature only and should not be relied upon as detailed advice on a particular matter. We recommend that clients seek our formal advice in relation to matters contained in this newsletter which may affect them.