PROFILE
FINANCIAL SERVICES

FEDERAL BUDGET ANALYSIS 11 MAY 2011

May 2011 Federal Budget

The Australian government handed down its annual budget for 2011/12 last night, Tuesday 10 May 2011. As is the case most years, there was a plethora of "leaks" on the potential announcements prior to last night. There was a mood of anticipated spending cuts and revenue-raising. There were no dramatic changes to taxation, social security or superannuation (perhaps because of the previous Stronger Super and Future of Financial Advice announcements). There were no big surprises on the economic forecasting front, either.

We acknowledge the difficult position any government would have in setting a budget for a multi-speed economy with a high reliance on a country (China) that produces economic numbers that are difficult to audit, where the terms of trade and currency are at historical highs and where there are clearly skills shortages and labour market pressures on wages, that could lead to inflationary pressures. Also, the pending carbon tax debate will negate many of the forecasts, and it is anticipated that a mini-budget will be required when these changes are known.

In our analysis we have focused on budget announcements that may affect your financial planning strategy or investments. It is important to bear in mind that these announcements have generally not yet been legislated. In addition, the information in this update is general – please contact us if you would like to discuss your specific situation in more detail.

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1 ECONOMY AND MARKETS

1.1 Summary

From a big picture viewpoint, this federal budget did not fundamentally change existing fiscal policy settings.

The budget in 2010/11 and 2011/12 has taken a significant hit from a combination of factors:

- a lower mining tax take (as depreciation deductions reduce taxable profits),
- carry-forward losses from the GFC,
- a multi-speed (or patchwork) economy, and
- the cost of natural disasters.

Last night's budget forecasts included a projected underlying cash deficit of $22.6bn for 2011/12 (1.6% of GDP). This is worse than the government's mid- year projection of a $12.3bn deficit, but a strong improvement on the expected actual deficit for this year of $49.4bn. Thereafter, the balance is projected to continue to improve, reaching a 'target' surplus of $3.5bn (0.2% of GDP) in 2012/13, and improving again to $5.8bn (0.3%) by 2014/15.

The government expects GDP growth to accelerate to 4% in 2011/12, and unemployment to decline to 4.75% in 2012/13. Underlying government-driven demand growth is expected to fall sharply, as stimulus programs unwind, though this should be more than offset by a revival in private demand - largely from an expected increase in mining investment. The government expects underlying inflation to be running a little below the RBA's latest forecast, which is consistent with its softer GDP growth forecast.

Key treasury forecasts

FINANCIAL YEAR	GDP % (CHANGE)	INFLATION % (CHANGE)	UNEMPLOYMENT RATE %	FISCAL BALANCE (ACCRUAL)	
				($bn)	% of GDP
2010-11 (estimate)	2.25	3.25	5.00	-45.7	-3.3
2011-12 (estimate)	4.00	2.75	4.75	-20.3	-1.4
2012-13 (estimate)	3.75	3.00	4.50	+4.0	+0.3
2013-14 (projection)	3.00	2.50	5.00	+3.2	+0.2
2014-15 (projection)	3.00	2.50	5.00	+8.5	+0.5

1.2 Breakdown

A key focus of this budget is the need to deal with the challenges posed by the mining boom. Initiatives that reflect this include new training programs with a particular focus on apprentices, increased skilled migration, and welfare-to-work measures.

Business receives some benefits, and there is also increased spending on regional areas via health and education. Offsetting these initiatives are sharp cuts to defence spending and efforts to increase operational efficiency in the public service. Other measures already announced include natural disaster spending ($1.2bn this year), the flood levy (raising $1.5bn in 2012/13), the early start to the reduced company tax rate of 29% for SMEs, and the mining tax (expected to raise $4bn per annum in net terms – ie. after company tax cuts). That said, total net new policy spends are only $2bn in 2012/13 and $1.3bn in 2013/14.

Key highlights include:

Key new measures (over 4 years)

SPENDING	$ MILLION	SAVINGS	$ MILLION
MENTAL HEALTH	1,500	PAUSE INDEXATION OF FAMILY PMT	1,900
REBUILDING POST DISASTERS	1,300	REDUCED TAX OFFSETS	1,900
BRING FORWARD LOW INCOME TAX OFFSET	1,300	FLOODS LEVY	1,700
REGIONAL HEALTH	1,000	DEFENCE SPENDING CUTS	1,300
EXTENDED FAMILY TAX BENEFIT	772	EFFICIENCY DIVIDEND	1,100
WORKFORCE MEASURES	597	DEFENCE EFFICIENCIES	1,100
REGIONAL EDUCATION	400	CAR FBT	954
TEACHERS BONUS	425	GREEN CAR INNOVATION FUND	434
SCHOOL CHAPLAINCY	222	HECS DISCOUNTS	230
4,000 EXTRA REFUGEES	216	TIGHTENING DISABILITY PENSION	196

1.3 Analysis

The 2011-12 budget was never going to be notable for transforming the policy agenda. The direction of policy was set last year, and the destination – a budget surplus – is likely to be reached next year. To be sure, there are a number of policy announcements, but these are mainly reshuffling spending priorities. And while they will be important for the individuals affected, they are not economically significant.

This said, it would be a mistake to think that fiscal policy will have no effect on the economy. While the policy direction was set last year, it is in 2011-12 that fiscal policy will have the largest negative effect on economic growth for at least forty years. This is occurring both through less spending (in areas such as school infrastructure) and increased taxation of households. Indeed, it appears that households will be the key losers from this budget.

It seems like no matter what the economic question is, the answer is inevitably a budget surplus. If the economy is strong (as it is expected to be) then the government has to get the budget back into surplus. And if the economy is weak (as it is at present) then this also underlines the importance of getting the budget back into surplus.

With that background, the 2011-12 budget was always going to be a short "stopover" to the ultimate goal of a surplus. Many analysts will judge the budget on whether it includes lots of tough decisions, such as slashing middle-class welfare and structural cuts to spending. And they will be disappointed. The path back to surplus is driven by reaping the growth revenue dividend. The impact of fiscal policy on the economy, however, does not depend on whether there is a surplus or a deficit, but on the change in the budget balance. And when the budget is viewed through this frame, it points to the most contractionary budget in forty years. This will affect both households and business. For the first time in many years, household income will fall as a result of the budget, rather than be boosted by it. And that will exacerbate the weakness in household spending. At the same time, some of the spending decisions appear to be ill-targeted.

Source: Macquarie.

1.4 Financial markets

The Government plans gross Commonwealth Government Security (CGS) issuance of around $53bn in 2011/12. Government net debt is expected to rise to a peak of $106.6 bn in 2011/12 (7.2% of GDP), then steadily falling to 5.8% of GDP by 2014/15. Overall market reaction to the budget was muted, as most key announcements had been flagged, and the 2011/12 deficit was only slightly larger than the expected range of $14-$20bn. The return to a small surplus in 2012/13 was also in line with market expectations. The Australian dollar (AUD) and interest rate markets moved little, and SPI 200 futures were also flat, after some early gains driven by a solid start to European equity markets.

The key market impacts of this Federal budget are that little has been done to address inflation risk (and hence the risk of higher cash rates), while many households will face lower net incomes resulting from higher taxes or lower welfare payments. These negative pressures on the domestic consumer, as well as from the higher AUD, mean downside risks to earnings forecasts for FY12 continue post this budget. The already-weak domestic consumer related stocks and sectors are likely to see further pressures on spending, suggesting little prospect of any a substantial recovery in retail spending and hence profits. With unemployment forecast to fall to 4.5% across the next two years, skilled labour shortages appear likely to remain thus increasing the risk of higher wages costs for business. For resources stocks and sectors, project cost risks remain, as do the risks of delays, which increase in a higher interest rate and higher cost environment.

With the budget now released, the RBA will need step up as the sole inflation guard. This could mean higher interest rates coming sooner than expected - some economists are predicting the next rate rise as early as June, with another to follow in September. Bond markets have yet to price this in, and therefore we could see the AUD rise even higher on the back of century-high terms of trade numbers, and now the likelihood of further rises in interest rates. Higher rates, and potentially a higher AUD, would continue to negatively affect key industry sectors and therefore the investment outlook remains uncertain and inherently volatile.

2 TAX

2.1 Individuals

Personal tax rates

For the first time in nine years, there were no changes to the personal income tax rates and thresholds. This means the 2010/11 rates and thresholds will apply in 2011/12 as tabled below. Note that the rates below exclude both the flood levy (applying to individuals with taxable income exceeding $50,000) and the Medicare levy.

TAXABLE INCOME RANGE	TAX PAYABLE IN 2011/12
$0 – $6,000	Nil
$6,001 – $37,000	15% on amount over $6,000
$37,001 – $80,000	$4,650 + 30% on amount over $37,000
$80,001 – $180,000	$17,550 + 37% on amount over $80,000
$180,001 +	$54,550 + 45% on amount over $180,000

Low income tax offset

Children under 18 will no longer be able to access the low income tax offset (LITO) to reduce tax payable on unearned income such as dividends, interest and rent.

This measure won't impact income earned by children from work, unearned income of orphaned or disabled children and compensation payments and inheritances received by children.

The main effect of this will be on those making trust distributions to minors. Previously, $3,333 p.a has been able to be distributed to your children and effectively pay no tax. This figure will now fall to $416 with any distributions above this amount facing a 66% tax rate.

This change is effective from 1 July 2011.

Another change to the LITO that will apply to low income earners who are working, is that a greater proportion of the benefit (increasing from 50% to 70%) will be able to be brought forward via their regular pay packets rather than being received at the end of the year via a tax refund.

This change is effective from 1 July 2011.

Improved certainty in the taxation of trust income

The government will introduce legislation enabling the streaming of capital gains and franked distributions. While this had been standard practice in the past, the recent challenge by the ATO in the courts had caused substantial uncertainty in this area. The proposal is expected to be an interim measure until the trust tax provisions of the Tax Act are rewritten.

The proposed effective date of this change is 1 July 2010 (that is, it is retrospective).

Dependant spouse tax offset phase out

The dependant spouse tax offset will no longer be available for spouses born after 30 June 1971. Certain exceptions will apply, including where the spouse is an invalid or permanently disabled. The maximum offset is currently $2,243 pa.

This change is effective from 1 July 2011.

Reduced HECS discounts

For payments made under the Higher Education Contribution Scheme (HECS) the discount for students paying their student contribution upfront will be reduced from 20% to 10%. The bonus on voluntary payments of $500 or more will be reduced from 10% to 5%.

This change is effective from 1 January 2012. If either you or your children are considering making early repayments, then you should ensure the payment has been made before the proposed 1 January 2012 effective date.

2.2 Business

Motor vehicle and other tax write-offs

Small businesses will be eligible to write -off the first $5,000 of any motor vehicle purchased after 1 July 2012, a significant increase on the current amount of $1,000. The remainder of the purchase price can be transferred into the general small business depreciation pool, which is depreciated at 15% in the first year and 30% in later years.

This measure will replace the entrepreneur tax offset.

Motor vehicle fringe benefits

Changes were made to the way cars are treated under the fringe benefits tax; which will reduce the motivation to drive unnecessarily to receive more attractive tax treatment.

Currently, multiple statutory rates are used to determine the taxable value of car fringe benefits, which depend on distance travelled. These will be replaced with a single rate of 20%. This measure will apply to new contracts entered into after 7:30pm (AEST) on 10 May 2011 and will be phased in over four years, as follows:

DISTANCE TRAVELLED	CURRENT RATE	FROM 10 MAY 2011	FROM 1 APRIL 2012	FROM 1 APRIL 2013	FROM 1 APRIL 2014
0 – 15,000 km	26%	20%	20%	20%	20%
15,000 – 25,000 km	20%	20%	20%	20%	20%
25,000 – 40,000 km	11%	14%	17%	20%	20%
> 40,000 km	7%	10%	13%	17%	20%

Effectively there will be an immediate benefit to those who salary sacrifice a motor vehicle and travel less than 15,000 km per year. For those that travel over 25,000 km per year, their benefit will be reduced over the next three years resulting in an increase in their car's packaged value.

However, there will still be the option of using the operating cost or "log book" method which some high km users may now consider.

Small business CGT concessions

Trusts are to be treated as connected entities for the purpose of testing eligibility criteria for the various CGT concessions available to small business owners. While this may result in some individuals no longer being eligible for the concessions it will also allow some small businesses to access the concessions because it will result in their business assets being "active".

This change is effective from 7:30pm on 10 May 2011.

Crackdown on tax avoidance in the building industry

Principal contractors in the building industry will be compelled to report payments made to individual contractors to the ATO. While the information required to be reported is not expected to be more than what is currently recorded by principal contractors, this will allow data matching for the ATO which is expected to result in over a half a billion in additional tax revenue.

This change is effective from 1 July 2011.

This measure could also be extended to the commercial cleaning industry after a period of public consultation.

Special disability trusts – extension to CGT relief

Further to the announcements in the 2010 budget, the government has proposed:

- a CGT exemption for assets transferred into the trust for no consideration,
- allowing the backdating of the main residence CGT exemption to 2006/07, and
- a CGT exemption for the recipients of the principal beneficiary's main residence, if disposed of within 2 years of the principal beneficiary's death

The changes continue the Government attempts over recent years to increase the "usability" of special disability trusts.

This is an extension of the 2009/10 budget.

Not-for-profit tax concessions

Proposed changes look to reform the tax concessions provided to not-for-profit (NFP) entities, to ensure that they do not apply to any unrelated commercial activities. This is to apply immediately to any new unrelated commercial activity, and is to be phased in for existing activities from 1 July 2011. This will result in income tax being payable on profits from the activities, as well as no longer having access to FBT exemptions/rebates, GST concessions or deductible gift recipient support.

On the positive side, a new statutory entity known as the Australian Charities and Not-for-Profits Commission is intended to be established by 1 July 2012 as a "one-stop-shop for the support and regulation of the not-for-profit sector". It is hoped that this will assist the sector which currently has a complex and fragmented policy and regulatory environment to operate within.

3 SUPERANNUATION

3.1 Refund of excess concessional contributions

Date of effect: 1 July 2011

The government will provide eligible individuals with the option to have excess concessional contributions taken out of their superannuation fund and assessed as income at the marginal tax rate, rather than incurring excess contributions tax.

This measure is only applied where the individual has made excess concessional contributions of up to $10,000 in a particular year, and is not retrospective. It is available for one use only.

Profile's view: This is a positive step and addresses an issue that has affected many innocent Australians. The number of breaches in 2009/10 was 65,700 (up from 28,000 the previous year). It is a punitive tax and needed to be addressed.

We are disappointed that the change isn't retrospective however, and we expect strong industry lobbying to have this measure legislated to be retrospective. The Treasurer will need to weigh up revenue replacement with equity for those who have made an innocent mistake.

3.2 Higher pre-tax contribution caps at age 50

Date of effect: 1 July 2012

People aged 50 and over with less than $500,000 in super will be able to contribute an extra $25,000 in pre-tax (concessional) contributions each year, so the effective cap will be $50,000 pa for these individuals

Eligibility requirements will apply, which are yet to be determined and legislated.

Those over 50 can already make pre-tax contributions of up to $50,000 until 1 July 2012 under the concessions previously announced, regardless of their super balance.

Profile's view: This is encouraging and is an extension to last year's federal budget. We await the details of the practical implementation of this announcement, as there has been considerable industry discussion over the past 12 months on this issue.

The interesting point to note is that the additional limit is $25,000 above the lower limit. Indexation appears to only apply to the lower limit (being in $5,000 increments based on rounded indexation) and not on the additional amount. The $25,000 additional limit for some over 50s is a fixed "pegged" amount, so the benefit of being able to contribute more will be eroded over time.

3.3 Minimum pension draw down relief phased out

Date of effect: 1 July 2011

The minimum annual pension withdrawal required has been halved in recent years as a result of GFC and its impact on pension balances. This drawdown relief will be phased out, reducing to 25% for the 2011/12 financial year, and returning to the normal rate from 1 July 2013 as per the table over the page.

AGE AT START OF PENSION (AND 1 JULY EACH YEAR)	IN 2010/11	IN 2011/12	IN 2012/13
Under 65	2%	3%	4%
65 – 74	2.5%	3.75%	5%
75 – 79	3%	4.5%	6%
80 – 84	3.5%	5.25%	7%
85 –89	4.5%	6.75%	9%
90 – 94	5.5%	8.25%	11%
95 +	7%	10.5%	14%

This measure has an estimated cost to revenue of $7 million over two years. Furthermore, it is expected that government expenditure will rise due to increases in Age Pension payments, as retirees claim more from the Age Pension rather than drawing down their own capital.

Profile's view: The increase in minimum drawings will result in increased cash flow for those clients who have reduced their drawing levels over the past 3 years. For those over 60, this will have no direct tax impact. Clients who have a Transition to Retirement strategy in place will need to increase the salary sacrifice component (taking into account the concessional super limits) to compensate for the increased minimum pension drawdown requirements. If you are affected, your planner will be discussing your required cash flow requirements over the course of the coming months to ensure that a suitable strategy is implemented.

3.4 Extension of co-contribution freeze

Date of effect: 1 July 2011

The government has announced that it will extend the current freeze on indexation of the co-contribution income thresholds to 2012/13. (Last years budget had the freeze expiring in 2011/12.) Therefore, the lower and upper co-contribution income thresholds will remain at $31,920 and $61,920 respectively until 30 June 2013.

This measure is estimated to save the government $75 million over three years.

Profile's view: While it's disappointing that the threshold has not been indexed, this strategy remains viable for clients less than 71 years of age who earn less than $61,920 from eligible employment, and can source $1,000 from a bank account and contribute the funds into an eligible superannuation fund. It is important to note that 'income' includes:

- your assessable income
- your reportable fringe benefits; and
- your reportable employer super contributions

3.5 Reporting of employer contributions on payslips

Date of effect: 1 July 2012

The government will require employers to include details of the amount of super that they have paid into employee accounts on pay slips. Further, the government plans to require super funds to notify employees and employers on a quarterly basis if regular contributions cease.

Profile's view: This should improve transparency which is a move in the right direction. There have been too many cases where employees have suffered because of "slack" employers. We await how this will be reported and note that it may well be an extra burden for SMSFs. Further, the definition of "regular" contributions will be interesting as it appears to be the catalyst for the notification.

3.6 Self Managed Super Funds

Increase in levy

Date of effect: 1 July 2010

Pursuant to the Cooper Review, the supervisory levy will be increased by $30 (to $180) to help provide additional funding to the ATO for the regulation of SMSFs.

It is anticipated that this rise in the levy will increase revenue by $47 million over four years.

Change in definition

Date of effect: n/a

The government has announced that it will amend the definition of an SMSF in the superannuation legislation so that where the trustee of a SMSF is a body corporate, a parent or guardian may be a Director of the body corporate in place of a member who is a minor.

Profile's view: This is a welcome amendment as it will allow SMSFs with members who are minors to use a corporate trustee.

3.7 Trading stock exemption

Date of effect: 7.30pm (AEST) 10 May 2011

The Government will remove the trading stock exception to the CGT primary code rule for complying superannuation entities, for specified assets. This measure also provides transitional rules to ensure that assets held or accounted for as trading stock before the time of announcement are unaffected.

The Government expects revenue savings from this measure to equal $5 million per year.

Profile's view: This strategy has been implemented by a select number of SMSF trustees. It will result in gains or losses in SMSFs being treated on the capital account (CGT). Previously, trustees could offset taxable income (say contributions made) with losses made on investments where they had elected to be "trading" as opposed to "investing."

3.8 Other measures

There was no further mention of the following changes, which were announced in last year's budget, and have not yet been introduced:

- An increase in the Super Guarantee (SG) from 9% to 12%, planned to be phased in over the period from 2013 to 2019
- Extending the SG to workers aged between 70 and 74, from 1 July 2013
- Introducing an annual government contribution of $500 for workers paid up to $37,000 a year, from 1 July 2012

4 SOCIAL SECURITY

4.1 Disability Support Pension (DSP) changes

The government has made 2 changes relating the eligibility for the DSP from 1 July 2012.

Firstly, the changes will encourage those who are capable of doing so, to take up additional hours without losing their current entitlements. All DSP recipients will be able to increase their working hours from 15 to 30 hours per week for up to 2 years, and remain eligible for a part pension. This applies to those granted DSP since May 2005.

On the other hand the changes will also toughen the criteria to be eligible for the DSP. Any unemployed recipients under the age of 35 who are assessed as having partial work capacity of 8 or more hours per week will need to attend Centrelink interviews. This will be on a quarterly basis for the first 18 months after they receive the payment, and then twice a year, in order to create a participation plan. DSP recipients who have a work capacity of less than 8 hours per week will be exempt from this participation requirement.

4.2 Encouraging workforce participation

A big focus in this budget is to encourage more people into the workforce by:

- introducing education and training programs, and
- adjusting the current Centrelink payment structures.

The government is targeting a projected unemployment rate of 4.5% by mid 2013.

For families who are on Youth Allowance and Newstart Allowance, there are a number of changes to the eligibility criteria from 1 July 2012:

- The parental means test for Youth Allowance recipients will be extended from 20 to 21 years of age.
- Newstart Allowance will be closed to new applicants under 22 years of age (currently under 21). To improve returns to work, the income threshold has increased from $62 to $143 per fortnight and the maximum available Working Credit bank limit will increase from $1,000 to $3,500.

4.3 Paid paternity leave delayed

The government has announced a 6 month delay in the implementation of paid paternity leave. It will now commence from 1 January 2013, rather than 1 July 2012 as previously announced.

Paid paternity leave will provide eligible working fathers, and other partners who are providing full-time care or sharing the child's care, with two weeks paternity leave paid at a rate equivalent to the national minimum wage where children are born on or after 1 January 2013. This can be taken at the same time as the mother or primary carer, even if the mother or primary carer does not qualify for paid parental leave.

This will help ease the financial pressures of a new baby and the associated reduction of income at a time when it is most needed. Depending on each family's situation and eligibility, it is worthwhile to look at whether taking the Baby Bonus instead of paid parental leave may provide a better financial outcome.

4.4 Proposed changes to Family Tax Benefit arrangements

The government has announced significant changes to the Family Tax Benefit A, intended to give greater support to those families with children between 16 and 19 years old studying full-time. The changes are effective 1 January 2012:

- Remove the need to choose between Youth Allowance and Family Tax Benefit A.
- Match the payment rates for the benefit for dependent 16 to 19 year olds in full-time secondary study to the rates for 13 to 15 year olds. This will increase the level of support provided by up to $4,208 a year for 16 and 17 year olds, and up to $3,741 a year for 18 and 19 year olds.
- Align the participation requirement for Family Tax Benefit B and the Multiple Birth Allowance with the existing Family Tax Benefit A participation requirement. This change will require 16 to 19 year olds to be undertaking full-time secondary study, or be exempt from this requirement, to be eligible for the payments.
- Include all 16 to 19 year olds in full-time secondary study for the purposes of calculating the Youth Allowance parental income test.This will ensure Youth Allowance recipients don't experience a lower rate of assistance as a result of siblings aged 16 to 19 years old in full-time secondary study remaining in the Family Tax Benefit system.
- Limiting the eligibility for Family Tax Benefit Part A to children up to 21 years of age. Once a child turns 22 they will be considered independent and their parents will no longer be able to receive the benefit for that child. This change aligns the Family Tax Benefit A with the Youth Allowance age of independence. In the 2010 federal budget the age of eligibility was capped at age 20, so families receive an extra year's worth of benefits as long the child continues to study.

[Source: MLC]

Effectively, the Government has recognised that families with older children still studying will have higher costs. Increasing support to this sector may see more children from lower income families remaining in secondary school.

On the downside, until 1 July 2014 the Government will pause family income test indexation and Family Tax Benefit supplement indexation. The following rates will apply:

- $150,000 for Family Tax Benefit Part B primary earner
- $150,000 for Dependency Tax Offsets (refer to theTax section of this paper for more information)
- $75,000 for Baby Bonus (family income in the six months following the birth or adoption of a child, which is equivalent to $150,000 a year)
- $150,000 for Paid Parental Leave primary carer in the financial year before the birth or adoption of a child, and
- $94,316 for the higher income-free threshold of Family Tax Benefit A family income, with an additional $3,796 provided for each child after the first.
- $726.35 pa per child for Family Tax Benefit Part A, and
- $354.05 per annum for Family Tax Benefit Part B.

[Source: MLC]

The pausing of indexation will have the greatest impact on families which are on the borderline of eligibility for family benefits. If incomes increase in line with inflation, more and more families will become either ineligible for benefits or have benefits reduced over time. Those most affected will generally be those classified as middle to higher income families. For families which are not eligible for any benefits, these changes will have no impact.

The government has announced that families eligible for Family Tax Benefit Part A will be able to receive an advance on their annual entitlement of up to $1,000 to meet unexpected expenses. The advance can be repaid over 6 months and the corresponding fortnightly benefits will be reduced accordingly. Alternatively, families will be able to receive a regular advance of around $160 on a regular basis, paid six-monthly to help cover expenses. The changes will allow families greater budgeting control during the year. Again, these changes will have the greatest benefit for lower income families.

4.5 New Prisoner of War payment

The budget introduced a new Prisoner of War Recognition payment of $500 per fortnight (or $13,000 per annum) from 20 September 2011, to former eligible World War 2 POWs of Japan, Europe and Korea. This additional payment is non-taxable and will not be assessed as income for means test purposes.

5 THE LIGHTER SIDE OF THE BUDGET…

When you see a Daily Telegraph heading reading "Waste feared in Federal Government's digital set-top box scheme", you have to stop and read the rest! This morning at a National Australia Bank Budget briefing, Rob Henderson (Chief Economist Markets – Australia) broke down for us the underlying details around Treasury's initiative to spend over $308.8m to give every pensioner a new set-top box in light of the analog system being switched off around the country by 2013.

If you divide the total estimated expense ($308.8m) by the number of people eligible to receive a new set top box you end with just over $400 per person. Now when compared to what you can purchase a set top box for these days (about $50), the mystery lies in where the difference is being spent. The answer is rather amusing. In addition to receiving a new digital set top box, the package will also include installation, any necessary wiring work, a lesson in using it and a year's access to a technical support helpline.