



BUDGET 2013-14

Key Budget Changes To Be Aware Of

Our Autumn Newsletter is dedicated to the Budget 2013-14. We have briefly outlined extracts below that we consider are relevant to our clients from a tax perspective. If you have any questions or queries please call the office 03 9878 3486 and we will be more than happy to assist you.

Families & Individuals

Baby Bonus Abolished

The Baby Bonus will be abolished from 1 March 2014 in favour of a new support for families of newborns through the Family Tax Benefit Part A. The government will increase Family Tax Benefit Part A (FTB Part A) payments of \$2,000 to be in the year following a birth or adoption of a first child or each child in multiple births, and \$1000 for a second or subsequent children. The additional FTB Part A will be paid as an initial payment of \$500, with the remainder to be paid in seven fortnightly instalments.

Paid Parental Leave Scheme (PPL) Changes

Families accessing the government's Paid Parental Leave Scheme (PPL), which remains unchanged, will not be eligible for the additional FTB Part A component. However, the work test under the PPL scheme will be extended so that parents will be able to count periods of government PPL as "work", just like employer-funded PPL.

Investments To Improve Child Care Quality

The maximum amount of the Child Care Rebate will remain at \$7,500 a year until 30 June 2017, the government will provide up to \$300 million over two years to help day care centres to attract and retain qualified professionals through wage increases. The government will also provide \$12.9 million over three years to trial flexible child care arrangements for families who require care outside standard operating hours.

Proposed 2015-16 Increase Of The Personal Tax Free Threshold Deferred

Changes to the personal tax-free threshold announced in the 2012-13 budget as part of the carbon tax compensation package will not proceed. As a result, the proposed 2015-16 increase in the tax-free threshold from \$18,200 to \$19,400 has been deferred. The tax-free threshold, which was raised from \$6,000 to \$18,200 from 1 July 2012 as part of the carbon tax compensation package, was not affected by the government's announcement.

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Compliance

Dividends

Investors with franking credit tax offset entitlements of more than \$5,000 will be prevented from engaging in “dividend washing”, thus claiming two sets of franking credits on effectively the same parcel of shares. The measure will ensure that when an investor sells shares ex-dividend and then immediately buys equivalent shares that still carry the right to a dividend (known as cum-dividend shares), they will only be permitted to claim one set of franking credits. The changes will be targeted to the special two-day period after a shares goes ex-dividend. This will apply from 1 July 2013.

Monthly PAYG Instalments

Following the government announcement in October 2012 of the introduction of a monthly PAYG instalment system for large corporate tax entities commencing from 1 January 2014, the government will now expand the proposed monthly PAYG instalment system to all large entities in the PAYG system. The monthly PAYG instalment system will therefore be extended to include trusts, superannuation funds, sole traders and large investors with turnover greater than 20 million and be phased in between 1 January 2014 and 1 January 2017.

Superannuation

Taxation Of Superannuation

Several changes have already been announced to the taxation of superannuation.

- ➔ Under the change, from 1 July 2013 individual superannuation accounts in pension phase that have more than \$100,000 annual earnings will be taxed at 15% on the earnings above that amount instead of being tax-free. The change applies only to earnings and does not apply to pension payments.
- ➔ Pension deeming rules (which deem minimum rates of interest) will be applied to superannuation account-based income streams. All products held by pensioners before 1 January 2015 will be grandfathered indefinitely and continue to be assessed under the existing rules for the life of the product “unless they choose to change products”.
- ➔ Deferred lifetime annuities will receive the same concessional tax treatment that superannuation assets supporting income streams receive. This reform will apply from 1 July 2014.

Not previously announced, however are some “minor” amendments including:

- ➔ Amendment of the eligibility criteria for the low-income superannuation contribution to now pay individuals with an entitlement of less than \$20. Previously the low-income contribution was not paid if it would be less than \$20. Entitlements of less than \$10 will be rounded up to \$10. This contribution effectively refunds, up to \$500 a year, the tax paid on superannuation concessional contributions for people with incomes up to \$37,000.
- ➔ Additional funds have been allocated to compensate members of APRA-regulated super funds that suffered losses due to the Trio Capital debacle. These funds will be recovered through levies on these super funds.

Concessional Contribution Caps

Concessional contribution caps for people aged over 60 will increase from \$25,000 to \$35,000 from 1 July 2013. The higher limit will also be made available to those aged 50 and over from 1 July 2014, and all other super contributors from 1 July 2018.

The government had previously said it would increase the cap to \$50,000 – which is no longer on the table. However, excess concessional contributions will be taxed at an individual’s marginal rate, plus an interest charge.

Limit	\$25,000 p.a.	\$35,000 p.a.
1 July 2013 – 30 June 2014	< 59 y.o. as at 30 June 2013	>= 59 y.o. as at 30 June 2013
1 July 2014 onwards	< 49 y.o. as at 30 June 2014	>= 49 y.o. as at 30 June of the previous year (ie. 30 June 2014 for the 2015 year)

Education

Reforms To Work Related Self Education Expenses

The government will clamp down on work-related self-education expense deductions through an annual \$2,000 cap on these expenses from 1 July 2014. Employers are generally not liable for fringe benefits tax for education and training they provide or fund for their employee, in order to support employers investing in the skills of their workers. The treatment will be retained, unless an employee salary sacrifices to obtain these benefits.

HECS-HELP Discount And Voluntary HELP Repayment Bonus Discounts To End

From 1 January 2014, the following discounts relating to the Higher Education Loan Program will be removed:

- ➔ The 10% discount available to students electing to pay their student contribution up-front, and
- ➔ The 5% bonus on voluntary payments made to the ATO of \$500 or more.

Health

Increase In The Medicare Levy To Fund DisabilityCare Australia

As announced before the budget, from 1 July 2014 the Medicare levy will increase by 0.5 percentage points to 2%. Low-income earners will continue to receive relief from the Medicare levy through the low-income thresholds for singles, families, seniors and pensioners. The current exemptions from the Medicare levy will also remain in place.

Net Medical Expenses Tax Offset To Be Phased Out

The government will phase out the Net Medical Expenses Tax Offset (NMETO) with transitional arrangements for those currently claiming the offset. The NMETO will continue to be available for taxpayers for out-of-pocket medical expenses relating to disability aids, attendant care or aged care expenses until 1 July 2019 when DisabilityCare Australia is fully operational and aged care reforms have been in place for several years.

From 1 July 2013 those taxpayers who claimed the NMETO for the 2012-13 income year will continue to be eligible for the NMETO for the 2013-2014 income year if they have eligible out of pocket medical expenses above the relevant thresholds. Similarly, those who claim the NMETO in 2013-14 will continue to be eligible for the NMETO in 2014-15.

Medicare Levy For Low-income Threshold

There will be an increase in the Medicare levy low-income threshold to \$20,542 for individuals, \$32,279 for pensioners eligible for the Senior and Pensioners Tax Offset, and \$33,693 for families, with the additional family threshold amount for each dependent child or student increasing to \$3,094. This measure will apply from 1 July 2012 (the current financial year).

Business

Cost Of Registering A Business Name Will Increase

The government has revealed an increase in the cost of registering a business name, with the Australian Securities and Investment Commission (ASIC), increasing fees to \$32 for one year and \$74 for three years.

Sources: Taxpayers Australia Inc, Institute of Chartered Accountants Australia, National Tax & Accountants Association Ltd



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