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Federal Budget 2014

13 May 2014

Harvest

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Temporary Budget Repair Levy

The Government has announced that it will introduce a 'Temporary Budget Repair Levy' of 2% on taxable income over $180,000. It is proposed that this levy will remain in place for 3 years before being abolished. The levy effectively raises the top marginal tax rate from 45% to 47% **(excluding Medicare Levy)**. The table below demonstrates the impact of the proposed levy on marginal tax rates **(excluding Medicare Levy)**:

Taxable Income[1]	Marginal Tax Rate		
	Until 30/06/2014	01/07/2014 to 30/06/2017	From 01/07/2017
$0 - $18,200	Nil	Nil	Nil
$18,201 - $37,000	19.0%	19.0%	19.0%
$37,001 - $80,000	32.5%	32.5%	32.5%
$80,001 - $180,000	37.0%	37.0%	37.0%
$180,000 & over	45.0%	47.0%	45.0%

The table below shows the impact of the proposed levy at various income levels above $180,000 per annum:

Taxable Income[1]	2014-15	2015-16	2016-17	2017-18
$180,000 and below	$0	$0	$0	$0
$190,000	$200	$200	$200	$0
$200,000	$400	$400	$400	$0
$210,000	$600	$600	$600	$0
$220,000	$800	$800	$800	$0
$230,000	$1,000	$1,000	$1,000	$0
$240,000	$1,200	$1,200	$1,200	$0
$250,000	$1,400	$1,400	$1,400	$0
$260,000	$1,600	$1,600	$1,600	$0
$270,000	$1,800	$1,800	$1,800	$0
$280,000	$2,000	$2,000	$2,000	$0
$290,000	$2,200	$2,200	$2,200	$0
$300,000	$2,400	$2,400	$2,400	$0
$350,000	$3,400	$3,400	$3,400	$0
$400,000	$4,400	$4,400	$4,400	$0
$450,000	$5,400	$5,400	$5,400	$0
$500,000	$6,400	$6,400	$6,400	$0

[1] Income is assessable income + reportable fringe benefits and includes salary sacrifice amounts.

Note: The Medicare Levy has previously been legislated to increase from 1.5% to 2.0% from 1 July 2014. The increase is intended to partly fund the new National Disability Insurance Scheme, now renamed DisabilityCare Australia.

SG Contribution Rate Increases

The Government has announced that the compulsory employer SG Contribution Rate will increase to 9.50% from 1 July 2014 (rather than being frozen at 9.25% as previously announced). Further, the 9.50% will then be frozen for 4 years. The SG rate will then begin to increase once again from 1 July 2018, increasing by 0.5% per annum until it reaches 12% from 1 July 2022. The timetable for the SG Rate increases is as follows:

Financial Year	SG Contribution %
Until 30 June 2013	9.25%
1 July 2014 - 30 June 2015	**9.50%**
1 July 2015 - 30 June 2016	9.50%
1 July 2016 - 30 June 2017	9.50%
1 July 2017 - 30 June 2018	9.50%
1 July 2018 - 30 June 2019	10.00%
1 July 2019 – 30 June 2020	10.50%
1 July 2020 – 30 June 2021	11.00%
1 July 2021 – 30 June 2022	11.50%
1 July 2022 onwards	12.00%

After-Tax Super Contributions

Currently, one can make up to $150,000 of after-tax (or non-concessional) contributions into super every financial year. If this amount is exceeded however, extra tax on the excess contributions will be incurred. Given these non-concessional contributions have already been taxed, this extra tax is a significant penalty. The Government has acknowledged this and has announced that any excess non-concessional contributions made after 1 July 2017(and any earnings on the excess) can be withdrawn from their super. The excess withdrawn will not be taxed. Any earnings on the excess that is withdrawn will be taxed at the individual's marginal tax rate.

Paid Parental Leave from July 2015

The Paid Parental Leave Scheme will proceed from 1 July 2015. The scheme will provide six (6) months paid leave, including super contributions at the prevailing SG Contributions rate, for those earning an annual income up to $100,000. Large companies (around the top 3,000 companies) will pay a 1.5% Paid Parental Scheme Levy on taxable income to assist in funding these payments.

Government Pension & Seniors Health Card Changes

Age Pension Eligibility Age

The current qualifying age for the Age pension is age 65. It has previously been legislated that this will be progressively increased to age 67 for those born between 1 July 1952 and 31 December 1956.

The Government has announced that the age pension age will be progressively further increased from age 67 to age 70. **This change will only affect people born on or after 1 July 1958.**

Date of Birth	Pension Qualifying Age
1 July 1952 to 31 December 1953	65 years and 6 months
1 January 1954 to 30 June 1955	66 years
1 July 1955 to 31 December 1956	66 years and 6 months
1 January 1957 to 30 June 1958	67 years
1 July 1958 to 31 December 1959	67 years and 6 months
1 January 1960 to 30 June 1961	68 years
1 July 1961 to 31 December 1962	68 years and 6 months
1 January 1963 to 30 June 1964	69 years
1 July 1964 to 31 December 1965	69 years and 6 months
On or after 1 January 1966	70 years

Pension Payment - Indexation Change

The Government will change the indexation rate of pension and equivalent payments so that they increase in line with CPI.

This change will be effective from 1 September 2017 for the Age Pension, Disability Support Pension, Carer Payments, Veteran's Service Pension and the Bereavement Allowance.

The change will be effective from 1 July 2014 for the Single Parenting Payment.

Pension Payment – Freeze on Eligibility Thresholds

Eligibility thresholds for pension and pension related payments will be maintained for 3 years from 1 July 2017. These include the thresholds for the Age Pension, Disability Support Pension, Carer Payments, and Veteran's Service Pension.

Commonwealth Seniors Health Card (CSHC) Changes

The CSHC is currently available for people who reach age pension age and have "income" below $50,000 for singles and $80,000 (combined) for couples. These "income" limits of $50,000 and $80,000 will be indexed by increases in the CPI index from September 2014.

The "income" included for determining eligibility for the CSHC will include pension income from account based pensions (i.e. untaxed superannuation income) from 1 January 2015. All pension income from account based pensions held by CSHC holders commenced before 1 January 2015 will be grandfathered.

The current Senior Supplement paid to CSHC card holders will cease from 20 September 2014. This payment is currently $876.20 pa for singles and $1,320.80 combined for couples.

Government Family Benefit Changes

Family Tax Benefit (FTB) Changes

Family Tax Benefit Part B (FTB-B) will now be payable to families when the higher income earner in the family is earning less than $100,000. The previous threshold was $150,000. From 1 July 2015 this benefit will only continue to be paid until the youngest child turns age 6. Existing recipients with children age 6 or older will continue to receive this benefit for two years. The FTB-B payment rates will stay at current levels for 2 years from 1 July 2014. The end of year supplement will be reduced to $300 per child (currently $354.05) and remain at this rate from 1 July 2015.

Family Tax Benefit Part A (FTB-A) income thresholds will stay at current levels for 3 years from 1 July 2014. The FTB-A payment rates will stay at current levels for 2 years from 1 July 2014. The high income threshold for this benefit will be fixed at $94,316 and will no longer be increased for additional children. The end of year supplement will be reduced to $600 per child (currently $726.35) and remain at this rate from 1 July 2015.

Single Parents receiving the full FTB-A, will from 1 July 2015 receive a new supplement of $750 pa for each child aged between 6 and 12, once their youngest child turns 6.

Family Benefits Freeze on Eligibility Thresholds

Eligibility thresholds for non-pension payments will be maintained for 3 years from 1 July 2014. These include thresholds for Family Tax Benefits, Child Care Benefit, Child Care Rebate, Newstart Allowance, Parenting Payments and Youth Allowance.

HECS & HELP Education Loan Income Threshold for Repayment Reduced

For those who have accrued a HECS and/or HELP loan liability the income threshold at which this debt will have to begin to be repaid is currently $49,096 up to 30 June 2014 (rising to $51,309 from 1 July 2014).

The Government has announced that they will be reduce the income threshold from 1 July 2016. It is estimated that the new low minimum income threshold will become $50,638 from 1 July 2016. It would have been approximately $56,264 from this date under the previous system.

In addition, the Government has announced that, from 1 June 2016, it will change the indexing rate on HELP debts. The indexing rate is currently equal to the Consumer Price Index rate. From 1 July 2016, the rate will change to be equal to the 10 year bond yields on Australian Government Bonds (capped at 6%).

Loan Fee Abolished on FEE-HELP and VET FEE HELP loans

The Government announced that the 25% loan fee applied to FEE-HELP loans which are available to full fee-paying undergraduate students will be abolished.

The Government will also abolish the 20% loan fee applied to VET FEE-HELP loans which are available to eligible full fee paying students enrolled in a higher level vocational education training course.

Mature Age Job Seekers: Restart Subsidy

From 1 July 2014, employers who hire an eligible mature aged job seeker (i.e. over 50 years of age) on a full time basis will be paid a $10,000 'Restart' subsidy over 2 years. Eligible employers would receive $3,000 if an eligible mature age person is employed full – time for 6 months and an additional $3,000 after 12 months. Further payments of $2,000 after 18 months and 24 months respectively would be paid up to a maximum total of $10,000. If hired on a part-time basis (between 12 and 29 hours per week), the 'Restart' subsidy to the employer will be pro-rated based on the actual hours worked.

In order to be considered eligible for the assistance, employers will need to demonstrate that the job they are offering is "sustainable and ongoing", and that they are not displacing existing workers with subsidised job seekers.

The current mature age worker tax offset will be abolished on 1 July 2014.

New Social Security Agreement with India

The Government will establish a new bilateral Social Security Agreement with the Republic of India. It will cover provisions relating to the age pension and remove the double coverage of superannuation contributions for workers seconded to either country. It will commence from 1 July 2015 subject to the completion of legal and treaty processes in both countries.

First Home Saver Account (FHSA) Scheme Abolished

The Government's First Home Saver Account (FHSA) Scheme is to be abolished. Any new accounts opened on or after 14 May 2014 will not be eligible for the existing government co-contribution (currently equal to 17% of deposits made into the account each year to a maximum co-contribution of $1,020 per annum) and the tax concessions on interest earned within the account.

Existing account holders will continue to receive both the existing government co-contribution and the tax concessions on interest earnings within the account until 30 June 2014. From 1 July 2015, existing account holders will be able to withdraw the money within their First Home Saver Account without any restrictions.

Changes to Military Superannuation

The existing Military Superannuation and Benefits Scheme (MSBS) will close to new members from 1 July 2016; to be replaced with a fully-funded Defined Contribution arrangement (existing members have the option to move to the new arrangement if they wish). The Government contribution rate will be 15.4% and will increase to 18% for any period where members are serving in war-like operations.

Changes to the Company Tax Rate

The company tax rate will reduce by 1.5% from 30% to 28.5% from 1 July 2015. This reduction will only apply to companies with taxable income of less than $5,000,000. This is likely to benefit around 760,000 companies.

Companies with revenues greater than this (around 3,000 companies) will continue to pay tax at the 30% rate. The 30% rate includes 1.5% for the Paid Parental Leave Scheme.

Other Notable Points from the Budget

Medicare Levy and Private Health Insurance Rebate Thresholds Frozen Until 30 June 2018

From 1 July 2015 to 30 June 2018, the Medicare Levy Surcharge and Private Health Insurance Rebate thresholds will be frozen and not indexed.

Dependent Tax Offsets to be Abolished

The Government will abolish almost all of the dependent tax offsets including the dependent spouse tax offset (DSTO) for all taxpayers from 1 July 2014.

Co-Payment on Bulk-Billed GP Visits & Out of Hospital Pathology and Imaging Services to fund the Medical Research Future Fund

From 1 July 2015, medical patients who have been previously bulk-billed will make a $7.00 co-payment on standard GP consultations and out of hospital pathology and imaging services. The Government will contribute $5.00 from every $7.00 into the Medical Research Future Fund.

PBS Prescription Costs to Increase

From 1 January 2015, general patients will pay an extra $5 towards the cost of each Pharmaceutical Benefits Scheme prescription.

Fuel Excise Rate to Rise

The Governments said it would secure funding for the additional road and infrastructure projects by re-introducing biannual indexation by the CPI of excise and excise-equivalent customs duty for all fuels (except aviation fuels). This will commence from 1 August 2014.

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