

BUDGET AT A GLANCE



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BUDGET AT A GLANCE

Key Changes

- 2014-15 Federal Budget: temporary deficit tax announced, but only over \$180,000; FTB changes; retirement age at 70; welfare means testing; other tax changes
- Introduction of a Budget deficit levy (tax), to apply for 3 years commencing on 1 July 2014. It is formally known as the Temporary Budget Repair Levy. The temporary levy will apply at 2% for incomes over \$180,000 ie 2% on taxable income in excess of \$180,000. Individuals with taxable income of \$200,000 will pay 2% of \$20,000 ie a levy of \$400. Those with taxable income of \$300,000 will pay 2% of \$120,000 ie \$2,400 of levy.
- Retirement age at 70; welfare means testing; other tax changes

PERSONAL TAXATION

- Budget deficit levy (tax) of 2% to apply for 3 years from 1 July 2014 for incomes over \$180,000; FBT rate increase
- Don't forget the Medicare levy increase to 2% on 1 July 2014 and its flow-on effects

So, as currently legislated, plus including the newly announced temporary debt levy, the personal income tax rates and thresholds are summarised for resident taxpayers in the table below (note that these rates *do not include* the Medicare levy, currently 1.5%, but to rise to 2% from 1 July 2014):

Personal income tax rates and thresholds						
	2013-14		2014-15		2015-16 and 2016-17	
	Threshold	Rate	Threshold	Rate	Threshold	Rate
1st rate	\$18,201	19.0%	\$18,201	19.0%	\$18,201	19.0%
2nd rate	\$37,001	32.5%	\$37,001	32.5%	\$37,001	33.0%
3rd rate	\$80,001	37.0%	\$80,001	37.0%	\$80,001	37.0%
4th rate	\$180,001	45.0%	\$180,001	47.0%	\$180,001	47.0%

With Medicare levy included, the top marginal rate would be 49% from 1 July 2014 to 30 June 2017.

- **Low income tax offset** - As currently legislated, the low income tax offset (LITO) rates are:

Low Income tax Offset		
	From 1 July 2012 to 30 June 2015	From 1 July 2015
Amount	\$445	\$300
Lower withdrawal limit	\$37,000	\$37,000
Upper withdrawal limit	\$66,667	\$67,000
Withdrawal rate	1.5%	1.0%

- Medicare levy thresholds for families increased for 2013-14
- Medicare levy surcharge and private health insurance offset thresholds to be frozen

The income thresholds for the private health insurance offset and the Medicare levy surcharge will be frozen for 3 years from 1 July 2015.

	Income for surcharge purposes 2013-14		Private health insurance rebate percentages from 1 April 2014		
Tier	Singles \$	Families \$	Under 65 %	Age 65-69 %	Age 70+ %
Base	0 - 88,000	0 - 176,000	29.040 (30)	33.880 (35)	38.720 (40)
Tier 1	88,001 - 102,000	176,001 - 204,000	19.360 (20)	24.200 (25)	29.040 (30)
Tier 2	102,001 - 136,000	204,001 - 272,000	9.680 (10)	14.520 (15)	19.360 (20)
Tier 3	136,001+	272,001+	0	0	0

Notes: *The rebate percentages applying for the period 1 July 2013 to 31 March 2014 are shown in brackets after the rebate percentage (in bold) applying from 1 April 2014. The income thresholds will be indexed from 1 July 2014. For families, the income thresholds are increased by \$1,500 for each child after the first.*

- Family Tax Benefit changes: 2-year freeze on rates; other changes

FTB B threshold

The Government will reduce the Family Tax Benefit Part B (FTB-B) primary earner income limit from \$150,000 per annum to \$100,000 per annum, from 1 July 2015. The income threshold for the Dependent (Invalid and Carer) Tax Offset will also be

reduced to \$100,000 as it is linked to the FTB primary income earner limit. These measures are expected to achieve savings of \$1.2bn over 4 years.

- Most dependant offsets to be abolished
- Mature age worker offset to be abolished

BUSINESS TAXATION

- FBT exempt benefit caps for PBI/NFP employees to be increased; FBT rate to go to 49%
- SME instant asset write-off: businesses still in limbo over \$6,500 threshold
- Reduction in R&D offset rates
- Reform of employee share scheme tax rules put on hold
- The Government confirmed that it was committed to cutting the company tax rate by 1.5 percentage points (to 28.5%) from 1 July 2015. For large companies, the reduction will offset the cost of the Government's 1.5% Paid Parental Leave levy.

SUPERANNUATION

- Option to withdraw excess non-concessional contributions
- Super Guarantee rate of 9.5% from 1 July 2014

Instead of pausing the superannuation guarantee rate at 9.25%, as previously announced, the Government will now increase the SG rate to 9.5% on 1 July 2014 (as currently legislated) and leave it at this level until 30 June 2018. The SG charge percentage will then increase by 0.5% each year until it reaches 12% from 2022-23, a year later than previously proposed. As such, employers are required to increase their superannuation contributions on behalf of employees to 9.5% of ordinary time earnings from 1 July 2014 (as currently legislated).

WELFARE/PENSION MEASURES

- Age Pension age to increase to 70 by 2035

The Government announced that, from 1 July 2025, the Age Pension qualifying age will continue to rise by 6 months every 2 years, from the qualifying age of 67 years that will apply by that time, to gradually reach a qualifying age of 70 years by 1 July 2035. People born before 1 July 1958 will not be affected by this measure.

This measure has a long implementation timeframe to allow people who would be affected to consider their retirement income arrangements.

- Freeze on eligibility thresholds for Australian Government payments
- Commonwealth Seniors Health Card: indexation; include untaxed super in eligibility; Seniors Supplement to end
- Index Pension and Pension Equivalent Payments by the CPI
- Reset the Assets Test Deeming Rate Thresholds
- Pensioner Education Supplement; Education Entry Payment; Aged Care Payroll Tax Supplement to be abolished

- **Stronger Participation Incentives for Job Seekers under 30**
- **Reprioritising the Aged Care Workforce Supplement**
- **Disability Support Pension: reduced portability; other changes**
- **Remove grandfathering of Student Start-Up Scholarship Recipients**
- **Student Payments – portability period**
- **Newstart Allowance and Sickness Allowance changes**
- **Limit the Large Family Supplement**
- **Certain Concessions for Pensioners and Seniors Card Holders**
- **New Social Security Agreement with India**
- **Cease indexation of the Clean Energy Supplement**
- **Apply the One-Week Ordinary Waiting Period to all Working Age Payments**
- **Veterans' Disability Pensions changes**