On the 13th of May 2014, the Federal Government delivered its 2014/15 Budget.

Summary:
2013/2014 – predicted deficit of $49.9 Billion
2014/2015 - predicted deficit of $29.8 Billion
2018/2019 – predicted surplus

Please note:
Many of the announcements made will require Legislation being passed before coming Law and therefore may be subject to change or may not proceed at all.

1. Superannuation

There were a number of proposed changes to superannuation or superannuation related policy announced in the budget. However, the Budget provided no clear guidance on the future of Low Income Super Contribution (LISC) which the government had previously announced would be removed with the repeal of the Mining Tax Legislation from 1 July 2014. While this intention is still reflected in the Budget statements for the Australian Taxation Office, with no further information provided, the LISC payments for this financial year remain uncertain.

Super Guarantee

It was announced that the superannuation guarantee rate will not pause at 9.25% as previously announced, and will increase on 1 July 2014 to 9.5%, as currently legislated. The rate will remain at this 9.5% level until 30 June 2018, before increasing again.

From 2018, the rate will increase by 0.5% each year until it reaches 12% in 2022/23. This is one year later than proposed previously by the government.

Superannuation excess contributions tax

From 1 July 2013, the government will allow individuals to withdraw any excess contributions (and associated earnings) that breach the non-concessional cap:

• If an individual chooses this option, no excess contributions tax will be payable and any related earnings will be taxed at the individual's marginal tax rate.
• Individuals who leave their excess contributions in the fund will continue to be taxed on these contributions at the top marginal rate.

First Home Saver Accounts scheme to be abolished

The First Home Saver Accounts (FHSA) scheme will be abolished from 1 July 2015 and any new accounts opened from Budget night 2014 will not be eligible for concessions:

• The government co-contribution will cease from 1 July 2014.
• Tax concessions, and the income and asset test exemptions for government benefits associated with these accounts, will also cease from 1 July 2015.
• Existing account holders will continue to receive the government co-contribution, and all tax and social security benefits associated with their accounts until they reach 65 years of age or 26 years of age if they are studying.

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Current Legislated Rate</th>
<th>Budget 2014 Proposed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>9.25%</td>
<td>9.25%</td>
</tr>
<tr>
<td>2014/15</td>
<td>9.5%</td>
<td>9.5%</td>
</tr>
<tr>
<td>2015/16</td>
<td>10%</td>
<td>9.5%</td>
</tr>
<tr>
<td>2016/17</td>
<td>10.5%</td>
<td>9.5%</td>
</tr>
<tr>
<td>2017/18</td>
<td>11%</td>
<td>9.5%</td>
</tr>
<tr>
<td>2018/19</td>
<td>11.5%</td>
<td>10%</td>
</tr>
<tr>
<td>2019/20</td>
<td>12%</td>
<td>10.5%</td>
</tr>
<tr>
<td>2020/21</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>2021/22</td>
<td>12%</td>
<td>11.5%</td>
</tr>
<tr>
<td>2022/23</td>
<td>12%</td>
<td>12%</td>
</tr>
</tbody>
</table>
concessions associated with these accounts, for the 2013/14 year.

- Account holders will be able to withdraw their account balances without restriction from 1 July 2015.
- After 1 July 2015, FHSA accounts will be treated in the same way as any other account held with a relevant provider.

**Defence Force Retirement Benefits (DFRB) and Military Superannuation**

- From 1 July 2014, DFRB and DFRDB superannuation scheme members aged 55 and over will have their superannuation benefits indexed by the better of the Consumer Price Index (CPI) and the Pensioner and Beneficiary Living Cost Index (with reference also to a benchmark level of Male Total Average Weekly Earnings).
- ADF members will be permitted to choose which superannuation fund they belong to and, for the first time, give those members the ability to transfer their accumulated benefits to a new fund if they leave the ADF.
- From 1 July 2016, the Government will also establish an accumulation superannuation scheme called ADF Super for new members of the Australian Defence Force (ADF). The existing Military Superannuation and Benefits Scheme (MSBS) will be closed to new members from this date.
- There will be no change to the superannuation arrangements for existing MSBS members, but they may elect to be covered by the new arrangements. Under the new arrangements, the Government will pay a 15.4 per cent contribution to a member’s chosen superannuation fund, or 18 per cent in periods of warlike service.

2. **Social Security**

Some of the proposed Social Security changes have a long lead time such as the introduction of the increasing Age Pension age. However, other measures impact in the short term.

### Increasing the Age Pension qualifying age to 70 years

The qualifying age for the Age Pension age is set to gradually increase to age 70 by 1 July 2035, commencing from 1 July 2025. The gradual increase will be in six-month increments every two years, as listed in the table below (which also shows the timings of the already legislated increase in Age Pension age to age 67 from 1 July 2017).

<table>
<thead>
<tr>
<th>Commencement date from</th>
<th>If you were born between</th>
<th>Your qualifying age for the Age Pension is</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 2017</td>
<td>1 Jul 1952 – 31 Dec 1953</td>
<td>65.5</td>
</tr>
<tr>
<td>1 July 2019</td>
<td>1 Jan 1954 – 30 Jun 1955</td>
<td>66</td>
</tr>
<tr>
<td>1 July 2021</td>
<td>1 Jul 1955 – 31 Dec 1956</td>
<td>66.5</td>
</tr>
<tr>
<td>1 July 2023</td>
<td>1 Jan 1957 – 30 Jun 1958</td>
<td>67</td>
</tr>
<tr>
<td>1 July 2025</td>
<td>1 Jul 1958 – 31 Dec 1959</td>
<td>67.5</td>
</tr>
<tr>
<td>1 July 2027</td>
<td>1 Jan 1960 – 30 Jun 1961</td>
<td>68</td>
</tr>
<tr>
<td>1 July 2029</td>
<td>1 Jul 1961 – 31 Dec 1962</td>
<td>68.5</td>
</tr>
<tr>
<td>1 July 2031</td>
<td>1 Jan 1963 – 30 Jun 1964</td>
<td>69</td>
</tr>
<tr>
<td>1 July 2033</td>
<td>1 Jul 1964 – 31 Dec 1965</td>
<td>69.5</td>
</tr>
<tr>
<td>1 July 2035</td>
<td>1 Jan 1966 and after</td>
<td>70</td>
</tr>
</tbody>
</table>

### Indexing of pensions

From 1 September 2017, pension payments will rise only as fast as inflation, i.e. at the rate of the Consumer Price Index (CPI), rather than the pensioner cost-of-living index, which is generally higher. This change of indexation will impact the Age Pension, Disability Support Pension (DSP), Carer Payment, Veterans’ Affairs Pensions and Bereavement Allowance.

### Thresholds for Australian Government Payments

- For three years from 1 July 2017, the income and assets thresholds will be frozen for the Age Pension, Disability Support Pension (DSP), Carer Payment and Veterans’ Affairs Service Pensions.
- For three years from 1 July 2014, the freeze will apply to non-pension payments such as Family Tax Benefit (FTB), Child Care benefit, Child Care Rebate, Newstart Allowance, Parenting Payments and Youth Allowance.

### Deeming rate thresholds

From 20 September 2017, the deeming rate thresholds will be reset as follows:

<table>
<thead>
<tr>
<th>Current Thresholds</th>
<th>Thresholds from 20 September 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>For singles</td>
<td>$46,600</td>
</tr>
<tr>
<td>For couples</td>
<td>$77,400</td>
</tr>
</tbody>
</table>
Commonwealth Seniors Health Card (CSHC)

- From September 2014, the income eligibility limits for the CSHC will be indexed by CPI. This will provide more retirees with access to medicines listed on the Pharmaceuticals Benefits Scheme (PBS) at the concessional rate.
- From 1 January 2015, untaxed superannuation will be included in the Income Test for eligibility for the CSHC.
- Superannuation income will be assessed in the same way as for the Age Pension, i.e. deemed, although all superannuation account-based income streams (ABIS) held by CSHC holders on 1 January 2015 with an ABIS commenced prior to that date, will be treated under the current more favourable rules.
- From 1 July 2014, the Seniors Supplement will be abolished. Current payments are:
  - $876.20 per annum for singles or couples separated due to illness
  - $660.40 for each member of a couple

Family Tax Benefit A (FTB-A) & Family Tax Benefit B (FTB-B)

- From 1 July 2014, payment rates for both FTB-A & FTB-B will be frozen at current levels until 30 June 2016, while income thresholds will stay at current levels for three years.
- From 1 July 2015, FTB-B income threshold for the higher income earner will be reduced from $150,000 to $100,000 per annum.
- From 1 July 2015, FTB-B will no longer be available after a family’s youngest child turns six and is at school, although a new allowance for single parents will be introduced.

Newstart Allowance and Sickness Allowance

From 1 January 2015, eligibility will change from 22 to 24 years of age (current recipients in that age bracket will remain on the respective allowance).

Disability Support Pension (DSP)

People under the age of 35 on the DSP with an assessed work capacity of eight hours or more a week, will have a compulsory participation plan to help them participate in the workforce.

Paid Parental Leave scheme

This scheme will commence from 1 July 2015.
It will provide six months paid leave with an income cap of $100,000 per annum, and will include superannuation.

Certain concessions for pensioners and Seniors Card holders

From 1 July 2014, the Commonwealth Government will cease funding these concessions which include council land and water rates, and utilities including electricity and gas.

3. Tax

The Government has announced additional revenue raising measures to assist to bring the budget back to surplus in 2017/2018.

The Government also reconfirmed its intention to repeal both the carbon and minerals resource tax.

Temporary budget repair levy to be introduced

- The Temporary Budget Repair Levy will apply at a rate of 2% on individuals’ taxable income in excess of $180,000 per annum.
- The levy will apply from 1 July 2014 until 30 June 2017.
- A number of other tax rates that are currently based on calculations that include the top personal tax rate will also be increased. With the exception of the fringe benefits tax (FBT) rate, these tax rates will be increased for the same period that the Temporary Budget Repair Levy is in place.
- To prevent high income earners from utilising fringe benefits to avoid the levy, the FBT rate will be increased from 47% to 49% from 1 April 2015 until 31 March 2017 to align with the FBT income year.
The below table highlights the additional tax that will be paid, and also takes into account the increase in the already legislated Medicare levy from 1.5% to 2.0% from 1 July 2014.

<table>
<thead>
<tr>
<th>Illustrative Tax Increases in 2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Income</td>
</tr>
<tr>
<td>Extra 0.5% Medicare levy</td>
</tr>
<tr>
<td>Temporary repair levy</td>
</tr>
<tr>
<td>Extra tax compared to 2013/14</td>
</tr>
</tbody>
</table>

Medicare Levy low-income threshold for families

With effect from 1 July 2013, the government will increase the Medicare Levy low-income threshold for families from $33,693 (2012/2013) to $34,367 (2013/2014)

The additional threshold for each dependent child or student will also increase from $3,094 (2012/2013) to $3,156 (2013/2014).

- Medicare Levy
From 1 July 2014, the Medicare Levy will increase from 1.5% to 2.0%, as previously legislated.
- 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 Medicare will also remain and apply to Disability Care.
- Medicare Levy Surcharge & Private Health Insurance Rebate Thresholds
From 1 July 2015 to 30 June 2018, the Medicare Levy Surcharge and Private Health Insurance Rebate thresholds will not be indexed.
- GP visits
From 1 July 2015 there will be a $7 charge for each currently bulk-billed service. This will be capped at 10 services per calendar year for concessional patients and children under 16.

Dependant Spouse and Mature Age Workers Tax Offsets to be abolished

From 1 July 2014, the Dependent Spouse and the Mature Age Workers tax offsets will be abolished.

Savings from this measure will be redirected to the government’s expanded employment incentive payment called Restart to support mature age job seekers in re-entering the workforce.

From 1 July 2014, under this measure, a payment of up to $10,000 will be available to employers who hire a mature aged job seeker (someone aged 50 years or over) who has been receiving income support for at least six months.

Company Tax Cuts

The Government remains committed to cutting the company tax rate by 1.5% from 1 July 2015.

For large companies, the reduction will offset the cost of the Government’s Paid Parental Leave levy which is also 1.5%.

Fuel excise indexation reintroduced

From 1 August 2014, the biannual indexation of the fuel excise will be re-introduced.
4. Other Announcements

Establishment of a Medical Research Future Fund

From 1 July 2015, the Government wants to establish a Medical Research Future Fund to provide additional funding for medical research. This will be substantially funded by the $7 GP visit fee mentioned above.

Increase in co-payments and safety net thresholds of the Pharmaceutical Benefits Scheme

In 2015, Pharmaceutical Benefits Scheme (PBS) co-payments will increase for general patients by $5.00 and $0.80 for concessional patients.

Financial assistance for apprentices

From 1 July 2014, ‘Tools for your Trade’ payments will cease and be replaced with a Trade Support Loans Programme. The Loans Programme provides up to $20,000 in financial assistance to apprentices over a four year apprenticeship.

Jobs Education and Training Child Care Fee Assistance

- Jobs Education and Training Child Care Fee Assistance (JETCCFA) provides extra help with the cost of approved child care to eligible parents to help them re-enter the workforce.
- An $8.00 per hour cap on JETCCFA funding per child and a weekly 36 hours per child on the number of child care hours that can be claimed through JETCCFA by parents undertaking study will be introduced.

National Rental Affordability Scheme — discontinuing incentives

Round 5 of the National Rental Affordability Scheme (NRAS) will not proceed.

More Information

The Federal Governments Budget documents can be found at: budget.australia.gov.au