



Financial Services



Finance



Financial Planning



Investment Management

## 2014 Federal Budget: A Summary

### Overview

The Treasurer Joe Hockey's first budget speech contained a few surprises. The Budget measures announced include increased 'taxes' in the form of a temporary levy for high income earners, tighter welfare rules, and wider cuts to education and spending. Below is a summary of key announcements that you may affect you from a financial advice perspective.

### Highlights

<p><b>Income Tax Changes</b></p> <p>Temporary Budget Repair Levy</p> <ul style="list-style-type: none"> <li>Additional 2 per cent levy on taxable income in excess of \$180,000</li> </ul>	<p><b>Superannuation</b></p> <p>Excess non-concessional contributions tax changes</p> <ul style="list-style-type: none"> <li>Excess non-concessional contributions made since 1 July 2013 can be withdrawn</li> </ul> <p>Re-phasing of superannuation guarantee (SG) rate increase</p> <ul style="list-style-type: none"> <li>9.5 per cent rate will implemented from 1 July 2014, and maintained until 2017/18</li> <li>12 per cent SG will not apply until 1 July 2022</li> </ul>
<p><b>Social Security</b></p> <ul style="list-style-type: none"> <li>Progressively increase the Age Pension age to 70 from 2025</li> <li>Reduced deeming thresholds from 2017 making it harder to pass the 'income test' for social security benefits</li> <li>Commonwealth Seniors Health Card changes</li> </ul>	<p><b>Family Assistance</b></p> <ul style="list-style-type: none"> <li>New Paid Parental Leave Scheme</li> <li>Changes to Family Tax Benefits</li> </ul>

### Income tax changes

#### Temporary Budget Repair Levy

- A three-year Temporary Budget Repair Levy will be introduced for high income earners from 1 July 2014 until 30 June 2017. The Temporary Budget Repair Levy will apply at a rate of 2 per cent on taxable income in excess of \$180,000 per annum.
- A number of other tax rates that are currently based on calculations that include the top marginal tax rate will also be increased in line with the Temporary Budget Repair Levy from 1 July 2014. An exception applies for fringe benefits tax (FBT), which will be increased from 47 per cent to 49 per cent from 1 April 2015 until 31 March 2017 to align with the FBT income year.

## Superannuation

### Excess non-concessional contributions tax changes

- The Government has announced changes to the treatment of excess non-concessional contributions (NCCs).
- Excess NCCs made from 1 July 2013 will be able to be withdrawn, along with associated earnings
- 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. Excess contributions tax will continue to apply for individuals who leave their excess contributions in the fund
- Final details of the policy will be settled following consultation

### Re-phasing of superannuation guarantee rate increase

- The Government announced another revision of the proposed increase to the superannuation guarantee contribution rate:
  - confirming an increase to 9.5 per cent from 1 July 2014
  - maintaining the 9.5 per cent rate until 30 June 2018
  - ultimately the 12 per cent rate will apply from 1 July 2022

## Social security

### Age Pension

- The Age Pension qualifying age will progressively increase further from age 67 from 1 July 2025, until it reaches age 70. This measure will not affect people born before 1 July 1958.

### Deeming Thresholds

- The deeming thresholds for the income test will be reset to \$30,000 for single pensioners and \$50,000 for pensioner couples from 20 September 2017. The current thresholds are \$46,600 and \$77,400 respectively.

### Commonwealth Seniors Health Card

- Income used to determine eligibility for the Commonwealth Seniors Health Card (CSHC) will be extended to include untaxed superannuation income from 1 January 2015. Account based income streams held by CSHC holders before 1 January 2015 will continue to be assessed under existing rules.
- The Seniors Supplement will be removed for CSHC holders from 20 September 2014.

## Family Assistance

### Paid Parental Leave

- The Government has confirmed it will proceed with a new Paid Parental Leave scheme that will provide six months of paid leave, including superannuation, from 1 July 2015. However, the payment threshold is proposed to be reduced from \$150,000 per annum to \$100,000 per annum.

### Family Tax Benefit

- The Family Tax Benefit (FTB) Part B primary earner income limit will be reduced from \$150,000 to \$100,000 from 1 July 2015.
- Payment of FTB Part B will be limited to families whose youngest child is under age six from 1 July 2015. Transitional arrangements will ensure families whose youngest child is age six and over on 30 June 2015 will remain eligible for FTB Part B for two years.

As at 16 June 2014 the majority of these Budget announcements have not been legislated.