

Avant's 2014 -2015 Federal Budget Summary

..... and what it means to you.



AVANT
FINANCIAL SERVICES

Overview

The Hon Joe Hockey MP handed down his first Federal Budget on the 13th May 2014. There are few winners but plenty of losers. Fortunately the superannuation system has not been overly tinkered with. And, with the exception of a temporary 2% budget deficit levy on high income earners, tax has also largely been left alone as well.

Social security has been hit. Public servants face mass job cuts; the government is getting smaller. This is definitely a contractionary budget and may have negative implications for the economy. It may also delay RBA rate increases.

Please note, all the announcements still need to pass through Parliament; until then they can be viewed as merely a statement of intent. The new Senate will be formed in July 2014 and if Labor and the Greens oppose any government legislation, the government will require six of the eight non-major party aligned Senators to vote with them. In addition, the devil is always in the detail, and the details aren't yet fully known.

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Superannuation & Pensions

Increase to 12% Superannuation Guarantee

The current government has previously attempted to postpone the SG increases but was unsuccessful; hence the legislated increase to 9.5% will occur on 1 July 2014. The government will then freeze any further increases until 2018.

Excess Contributions Tax on Non-Concessional Contributions

After tax contributions in excess of the allowable limits, along with any associated earnings, can now be returned to the member and will be taxed at the individual's marginal tax rate. This will be an improvement on the existing system which prohibitively taxes any excess contributions.

COMMENT: This is a logical and common sense decision.

Low Income Super Contributions Rebate

The current government has previously attempted to postpone this rebate but was unsuccessful. They will attempt to cancel this post 1 July 2014.

No changes to superannuation contribution limits

The increase in [contribution limits](#) will be going ahead effective 1 July 2014. Concessional contributions will rise to \$30,000 p/a and non-concessional to \$180,000 p/a. In addition, the previous measures for the temporary higher concessional contribution limit of \$35,000, for individuals 49 and over from 1 July 2014, remain.

Taxation

Budget Deficit Levy

From 1 July 2014, a 2% levy will be placed on high income earners. Any taxable income in excess of \$180,000 will incur the new tax which will operate for three years.

Personal Income Tax Rates						
	2013-2014		2014-2015		2015-2016	
	Amount	Rate	Amount	Rate	Amount	Rate
1 st Tier	\$18,201	19.0%	\$18,201	19.0%	\$19,401	19.0%
2 nd Tier	\$37,001	32.5%	\$37,001	32.5%	\$37,001	33.0%
3 rd Tier	\$80,001	37.0%	\$80,001	37.0%	\$80,001	37.0%
4 th Tier	\$180,001	45.0%	\$180,001	47.0%	\$180,001	47.0%

The above does not include the Medicare levy which rises from 1.5% to 2% on 1 July 2014. Essentially the top marginal tax rate in Australia will be 49% on every extra dollar in excess of \$180,000.

Dependent Spouse Tax Offset and Mature Age Workers Offset

From 1 July 2014 both will be abolished.

Company Tax Rate

From 1 July 2015 the company tax rate will reduce from 30% to 28.5%. Large companies will however be charged a 1.5% levy to pay for the Paid Parental Leave.

COMMENT: Due to the Paid Parental Leave levy, effectively most listed companies will still be taxed at 30%. A disadvantage to investors is that they will only receive franking credits on the 28.5% company tax rate, and not the 1.5% "levy".

Reintroduction of fuel excise indexation

From 1 August 2014 biannual indexation will occur on all fuel except aviation fuel. It is currently 38.1 cents per litre.

Social Security

Paid Parental Leave (PPL)

From 1 July 2014 a paid parental leave scheme will provide six months paid leave with an income cap of \$100,000 p/a and will include superannuation.

COMMENT: Middle class welfare at its worst, discriminatory to “non-working” mothers and potentially open to rorting. As mentioned above, under the company tax rate changes, investors will be disadvantaged because most listed companies are effectively still taxed at 30%, however franking credits will only be available on 28.5%.

Age Pension Qualifying Age

From 2035 the Age Pension will only be available from age 70. This change will be phased from 2025 when the qualifying age will increase by six months every two years. People born before 1 July 1958 will not be effected by this change.

People born between	Age Pension eligibility age
1 July 1952 and 31 December 1953	65½
1 January 1954 and 30 June 1955	66
1 July 1955 and 31 December 1956	66½
1 January 1957 and 30 June 1958	67
1 July 1958 and 31 December 1959	67½
1 January 1960 and 30 June 1961	68
1 January 1960 and 30 June 1961	68½
1 January 1963 and 30 June 1964	69
1 July 1964 and 31 December 1965	69½
1 January 1966 and later	70

No changes have been announced regarding the age when you can access your superannuation (preservation age).

Commonwealth Seniors Health Card (CSHC)

From September 2014 current limits will be indexed annually by CPI. Superannuation pension payments will be included in the assessment of income from 1 January 2015. Current pensions will be grandfathered (exempted), however any change in product provider will lose the exemption.

The Seniors Supplement will no longer be paid to card holders. This is currently \$876.20 for singles and \$1,320.80 for couples.

COMMENT: The CSHC is currently subject to an income test which excludes superannuation pension payments. This will change and make it harder for some people to get the CSHC. A most unfortunate decision by the government.

Pension Increases

From 1 September 2017 pension increases will be linked to inflation only. Currently increases are indexed to the higher of CPI, Male Total Average Weekly Earnings or the Pensioner and Beneficiary Living Cost Index. Pensions impacted include Age Pension, Disability Support Pension and Veteran's Affairs pensions.

COMMENT: This will undoubtedly result in lower Age Pension increases and is timed to take effect after the next Federal election.

Reduction in the Assets Test Deeming Rate Thresholds

From 20 September 2017 the deeming thresholds will be reduced from \$46,600 to \$30,000 for singles and \$77,400 to \$50,000 for couples.

COMMENT: This reduction will increase the amount of financial investments subject to deeming rates and result in a reduction in payments if an individual is assessed under the Income Test.

Family Tax Benefit – Part B

Effective 1 July 2015, income limits will be reduced from \$150,000 to \$100,000. In addition the payment will cease when the youngest child turns six. Family tax benefits will be frozen for two years.

State & Territory Seniors Concession Cards

From 1 July 2014 the government will terminate the National Partnership Agreement which provides concessions for [Seniors Card Holders](#). Possible areas which will be impacted are the rebates provided for council and water rates utilities, public transport and motor vehicle registration.

Patient Contributions for Medical Care


From 1 July 2015, and capped at 10 visits per year, a \$7 charge will be introduced for bulk-billed GP visits and out-of-hospital pathology and diagnostic imaging services.

Wage Subsidy for Mature Age Job Seekers


From 1 July 2014, a payment of up to \$10,000 will be available to employees who employ a job seeker aged 50 or over. Payments will be paid in installments:

Amount	Time Frame
\$3,000	After 6 months of employment
\$3,000	After 12 months of employment
\$2,000	After 18 months of employment
\$2,000	After 24 months of employment




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This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial advice prior to acting on this information.

Investment Performance:

Past performance is not a reliable guide to future returns as future returns may differ from and be more or less volatile than past returns.

Disclosure:

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