



2014 Federal Budget Analysis

13 May 2014

In one of the more highly anticipated Federal Budgets, the Government announced major changes that could warrant a review of your financial plans.

Note: The changes announced are proposals only and may or may not be made law.

Summary

- A Temporary Budget Repair Levy of 2% will be payable on taxable incomes over \$180,000 pa for the next three financial years.
- Changes to HELP debts will increase the amount payable, and payments may need to be made at lower income levels.
- The Dependent Spouse and Mature Age Worker Tax Offsets will be abolished from 1 July 2014.
- People who make non-concessional (after-tax) super contributions from 1 July 2013 that exceed the cap will have the option to withdraw the excess amount plus earnings on the excess.
- The timeframe for increasing the Superannuation Guarantee contribution rate to 12% will be amended.
- The Age Pension age will gradually increase to 70.
- A range of changes to Family Tax Benefit – Part A and B will reduce the number of people who are eligible and, for some, lower the entitlements.
- The Commonwealth Seniors Health Card thresholds will be indexed from 20 September 2014 and the definition of income will be expanded.

Personal taxation

Temporary levy for higher earners

Date of effect: 1 July 2014

A Temporary Budget Repair Levy of 2% will be payable on taxable incomes over \$180,000 pa for the next three financial years. This levy will effectively increase the top marginal tax rate to 49%, including the Medicare levy. From 1 July 2017, the top marginal rate will be 47%, including the Medicare levy.

HELP debt changes

Date of effect: 1 June 2016 and 1 July 2016

HELP debts will accrue interest at the 10 year Government bond rate from 1 June 2016, subject to a maximum rate of 6%. Currently, HELP debts are indexed to the Consumer Price Index. In addition, from 1 July 2016, HELP debts will start to be repayable from a lower income level.

Tax offsets to be abolished

Date of effect: 1 July 2014

The Dependent Spouse and Mature Age Worker Tax Offsets are currently being phased out. The phase out will cease and the 2013/14 tax year will be the last year in which these offsets will be available.

Superannuation

Excess non-concessional contribution withdrawals

Date of effect: 1 July 2013

Individuals who make contributions exceeding their non-concessional contribution cap from 1 July 2013 will have the option to withdraw the excess amount, plus earnings on the excess.

No tax will be payable on the excess amount withdrawn. However, withdrawn earnings will be taxed at the individual's marginal tax rate.

If no election is made to withdraw the excess contributions, the excess will be taxed under the existing regime at the top marginal tax rate.

Revised SG rate increase

Date of effect: 1 July 2014

While the Superannuation Guarantee (SG) rate will still increase to 12%, the schedule for this increase will be amended.

The Government confirmed that the legislated increase to 9.5% will take effect on 1 July 2014. It is proposed that the rate will remain at 9.5% for four years and from 1 July 2018, it will increase by 0.5% pa, before reaching 12% on 1 July 2022.

Social security

Increase in Age Pension age to 70

Date of effect: 1 July 2025

The Age Pension age will increase to 67.5 from 1 July 2025. It will then continue to rise by six months every two years, until the pension age reaches 70 by 1 July 2035.

People born before 1 July 1958 will not be affected by this change. Currently, the Age Pension age is due to increase from 65 starting on 1 July 2017, and gradually reach 67 by 1 July 2023.

Age Pension eligibility age by birth date	
People born between	Eligible for Age Pension at age
1 July 1952 and 31 December 1953	65.5
1 January 1954 and 30 June 1955	66
1 July 1955 and 31 December 1956	66.5
1 January 1957 and 30 June 1958	67
1 July 1958 and 31 December 1959	67.5
1 January 1960 and 30 June 1961	68
1 July 1961 and 31 December 1962	68.5
1 January 1963 and 30 June 1964	69
1 July 1964 and 31 December 1965	69.5
1 January 1966 and later	70

Increasing cost of medical care

Date of effect: 1 July 2015

A patient contribution of \$7 may be charged from 1 July 2015, for:

- general practitioner consultations, and
- out-of-hospital pathology and diagnostic imaging services.

Holders of concessions cards and children under 16 years of age can only be charged for the first 10 visits in a year. Visits beyond the first 10 will require no patient contribution.

Family Tax Benefit changes

Date of effect: Various

A number of amendments have been announced in relation to eligibility and payment rates for the Family Tax Benefit (FTB), and associated supplements and allowances.

Payment rates

From 1 July 2014, the maximum and base rates of the FTB Part A and B will be frozen until 1 July 2016.

The FTB Part A and B end of year supplements will be reduced from 1 July 2015. The supplements will reduce from:

- \$726.35 to \$600 for FTB Part A, and
- \$354.05 to \$300 for FTB Part B.

Eligibility thresholds

The FTB Part A per child add-on, which currently increases the higher income free threshold for each additional child, will be removed from 1 July 2015.

Under existing arrangements, a family may qualify for FTB Part B if the primary income earner has income up to \$150,000 pa. This will be reduced to \$100,000 pa from 1 July 2015.

Eligibility FTB Part B

From 1 July 2015, payment of FTB Part B will be limited to families whose youngest child is under the age of six. Families already in receipt of FTB Part B, whose youngest child is aged six or over on 30 June 2015 will remain eligible for FTB Part B under the transitional measures for two years.

Other changes

From 1 July 2015, a new Family Tax Benefit Allowance will be made available to single parents receiving the maximum rate of FTB Part A, whose youngest child is aged 6 to 12. This will apply from the time they become ineligible for FTB Part B. An additional payment of \$750 will be paid for each child aged 6 to 12.

Commonwealth Seniors Health Card indexation

Date of effect: 20 September 2014

The income thresholds for eligibility for the Commonwealth Seniors Health Card (CSHC) will be indexed from 20 September 2014 to the Consumer Price Index. Indexation may allow additional people to become eligible for this card.

Commonwealth Seniors Health Card income definition

Date of effect: 1 January 2015

The definition of income for the CSHC will be expanded. From 1 January 2015, the income from superannuation pensions will be assessed using pre-determined rates not the actual income earned. Income from these pensions is currently not included in the definition of income. Grandfathering rules will apply to those already holding the CSHC.

Cessation of the Seniors Supplement

Date of effect: 20 September 2014

From 20 September 2014, the Seniors Supplement will no longer be payable to holders of the CSHC. However, holders of the card will still receive the Clean Energy Supplement.

The current annual rates of Seniors and Clean Energy supplements are:

Payment	Single	Couple (each)
Seniors Supplement	\$876.30	\$660.40
Clean Energy Supplement	\$361.40	\$273.00

Any questions?

If you have any questions, please speak with your financial adviser or call us on **132 652** between 8 am and 6 pm (AEST), Monday to Friday.

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