

2015 Federal Budget Report



Our team of advisers at Goldsborough have reviewed the budget announcements and filtered them into the items that we believe are most likely to affect our clients, and then grouped them into areas of interest. As we always stress these are just the announced intentions of the Government and most will need to be passed by both houses of Parliament before they become law.

Superannuation

It was pleasing to see that the Government held firm on its pre budget commitments and there were only a few minor announcements in regards to superannuation. We do however expect to see superannuation addressed as a part of the next election campaign by both of the major parties, most likely resulting in changes to rules after that election.

Terminal medical condition

The Government will extend access to superannuation for people with a terminal medical condition from 12 months to 24 months.

Lost and unclaimed superannuation

Changes to reporting obligations will make it easier for individuals to claim their lost and unclaimed superannuation.

Personal Tax

There were no changes announced to the thresholds or the tax rates.

Cap for not for profit salary sacrificed benefits

The government will now cap the amount 'not for profit' employees can salary sacrifice for meal entertainment benefits to \$5,000. Any amounts over this cap can be counted against their existing FBT exemption or rebate cap.

Employee share schemes

The Government will implement a variety of measures to take effect from 1 July 2015 which are designed to make these schemes more accessible and attractive for all companies in Australia.

Changes to residency tax rules for temporary holiday workers

The tax residency rules will change from 1 July 2016 to treat most people who are temporarily in Australia for a working holiday as non-residents for tax purposes. This means they will be taxed at 32.5% from their first dollar of income up to \$80,000.

Work-related car expenses

The government will modernise the methods of calculating work-related car expenses from the 2015-2016 financial year. The '12% of original value method' and the 'one-third of actual expenses method' will be removed. The 'cents per kilometre method' will be streamlined to one rate of 66 cents per kilometre and the 'log-book' method will be retained.

They have indicated that leasing and salary sacrifice arrangements will not be impacted.

Small Business

Tax cuts and discounts

All incorporated small businesses with aggregated annual turnover of less than \$2million will receive a tax cut of 1.5% from next financial year.

Individual tax payers (sole traders and partners) with an unincorporated business that meets the turnover definition outlined above will be eligible for a small business tax discount. The discount is 5% of the income test payable on the business income received, capped at \$1,000 per individual per year. It will be delivered as a tax offset.

CGT roll-over relief for changes to entity structure

Small businesses with an aggregated annual turnover of less than \$2m will be able to change legal structure without attracting a CGT liability at that point; available from 2016-2017.

Changes to FBT system for work-related electronic devices

A FBT exemption will be allowed from 1 April 2016 for small businesses that provide employees with more than one qualifying work-related portable device. A small business is defined in the same way as outlined above.

Immediate tax deduction for items valued less than \$20,000

Small businesses (same definition) will receive an immediate tax deduction for assets costing less than \$20,000 which are purchased from budget night until 30 June 2017.

Start-ups

A set of incentives have been announce to encourage start-up businesses by reducing red tape and providing an immediate tax deduction for professional expenses in establishing the business.

Pensions

Social security assets test – rebalance asset test thresholds and taper rate

From 1 January 2017, the Government will increase the Centrelink lower asset test thresholds. This will result in an increase in pensions for those part pensioners who are currently asset tested but marginally over the asset threshold for a full pension. For example the thresholds for homeowners will change from \$202,000 to \$250,000 for singles and from \$286,500 to \$357,000 for a couple.

In addition the asset test taper rate will increase from \$1.50 to \$3.00, effectively reducing the 2007 decision to halve the taper rate at that time. The current and proposed thresholds are detailed below:

	Assets Test threshold for part pension (20 March 2015)	Assets Test threshold for part pension (1 January 2017)
Single, homeowner	\$775,500	\$547,000
Single, non-homeowner	\$922,000	\$747,000
Couple, homeowner	\$1,151,500	\$823,000
Couple, non -homeowner	\$1,298,000	\$1,023,00

Pensioners who lose their pension entitlement on 1 January 2017 as a result of these changes will automatically be issued with a Commonwealth Seniors Health Card or a Health Care Card (for those under Age Pension age).

Not proceeding with changes announced in 2014-15 Budget

The Government will not proceed with the measure to reset the deeming thresholds and change the indexation of the pension Income Test thresholds and deeming thresholds.

They have also decided not to proceed with the proposed measure to link pension increases to inflation only; payments rates will continue to be indexed under the current arrangements.

Family Payments/Centrelink

Parental Leave Pay

The Government propose removing the ability for individuals to take payments from their employer and the Government via the existing Parental Leave Pay (PLP) scheme. The Government will ensure that all primary carers have access to parental leave payments that are at least equal to the maximum PLP benefit (currently 18 weeks at the national minimum wage).

Child Care

A new single Child Care Subsidy (CCS) effective from 1 July 2017 and \$3.2 million of additional funding from 2014/15 were announced.

Families meeting the activity test with annual incomes up to \$60,000 (2013-2014 dollars) will be eligible for a subsidy of 85% of the actual fee paid, up to an hourly cap. The subsidy will taper to 50% for eligible families with annual incomes below \$180,000. For families with annual incomes of \$180,000 and above the CCS will be capped at \$10,000 per child per year.

While every care has been exercised and the recommendations and other statements herein are based on information believed to be accurate and reliable, no liability, (unless required by law) can be accepted for any error or omission including negligence however caused.

Family Tax Benefits

The large family supplement of FTB Part A will be removed from 1 July 2016.

From 1 July 2016 families will only be able to receive FTB A for six weeks in a 12 month period while they are overseas.

Aged Care

Alignment of aged care means testing arrangements

For new residents entering aged care from 1 January 2016 the government will align means testing arrangements for residents who pay their accommodation costs by periodic payment with the arrangements that currently apply to those who pay via lump sum. This will remove the rental income exemption which currently applies for residents who rent out their former home and pay by periodic payments.

Home Care Program

The government announced additional funding to increase choice and flexibility for older Australians who receive a Commonwealth funded Home Care Package.