

Highlights

2014/15 Federal Budget Highlights

Written by the CCH Tax Team

The Federal Treasurer, Mr Joe Hockey, handed down his first budget at 7:30 pm (AEST) on 13 May 2014. In a budget intended to reduce the deficit from its current \$49.9b to \$29.8b next year, he said that he was “delivering balanced and credible budget repair”. The budget contained few tax and superannuation measures but included a range of austerity measures, especially in relation to social security and health.

Here are the tax, superannuation, social security and health highlights.

Individuals and families

- A three year temporary levy of 2% will be imposed on individuals' taxable income *in excess of* \$180,000 pa, from 1 July 2014 until 30 June 2017.
- The dependent spouse tax offset (DSTO) will be abolished for all taxpayers from 1 July 2014.
- The mature age worker tax offset will be abolished from 1 July 2014.
- The Medicare levy low-income threshold for families will be increased from the 2013/14 income year.
- The First Home Saver Accounts scheme will be abolished from 1 July 2015.
- From 1 July 2014, taxpayers will receive a tax receipt showing how and where their tax dollars were used.
- The income threshold at which students commence repayment of their Higher Education Loan Programme (HELP) debts will be reduced with effect from 1 July 2016. In addition, HELP debts will be indexed at a rate equivalent to the yield on 10-year government bonds (up to a 6% maximum) instead of CPI from 1 June 2016. Loan fees for undergraduate FEE-HELP and VET FEE-HELP will be abolished.
- Various reforms will be introduced to the pension system including increasing the qualifying age for the Age Pension to 70 by 1 July 2035.
- The eligibility age for the Newstart Allowance and Sickness Allowance will increase from 22 to 24 years from 1 January 2015.
- Various reforms to the Family Tax Benefit (FTB) Part A and Part B payments will be introduced, including reducing the FTB Part B primary earner income limit to \$100,000 pa and changing certain eligibility requirements. A new \$750 allowance will be introduced for single parents on the maximum FTB Part A rate, but who will no longer receive FTB Part B

payments due to eligibility changes. These measures largely commence on 1 July 2015, with some transitional arrangements.

- Changes will be made to the Medicare system relating to patient contributions, indexation of fees and thresholds, and Medicare safety net arrangements.
- Two organisations have been added to the list of specifically listed deductible gift recipients.
- Round 5 of the National Rental Affordability Scheme (NRAS) will not proceed.

Companies, finance and not-for-profits

- The start date of the new system for managed investment trusts (MITs) will be deferred by 12 months to 1 July 2015.
- The rates of the refundable and non-refundable offsets for the R&D Tax Incentive will be reduced by 1.5 percentage points.
- The consolidation integrity package announced in the 2013/14 Budget will be modified.
- The measure addressing inconsistencies in the tax treatment multiple-entry consolidated (MEC) groups will not proceed.
- The measure announced in the 2013/14 Budget to amend the principal asset test in the foreign resident CGT regime will be modified.
- No decision has yet been made on a proposed targeted anti-avoidance provision to address certain conduit arrangements.
- Alternatives to the previous government's better targeting of not-for-profit tax concession measures are not required at this time.
- The seafarer tax offset will be abolished from 1 July 2015.

Superannuation

- Individuals will be given the option of withdrawing superannuation contributions in excess of the non-concessional contributions cap made from 1 July 2013 and any associated earnings, with these earnings to be taxed at the individual's marginal tax rate.
- The schedule for increasing the superannuation guarantee rate to 12% will be changed.

Tax administration

- The tax and superannuation laws will be amended to correct technical defects, remove anomalies and address unintended outcomes.
- The start date of the legislative elements of the measure to improve tax compliance through third party reporting and data matching will be deferred to 1 July 2016.

- The Commonwealth Ombudsman's case management of tax complaints will be transferred to the Inspector-General of Taxation.
- A number of government bodies will be abolished or merged, resulting in a reduction of 36 bodies.
- The planned reduction in 1,600 ATO staff that was due to occur in 2015/16 will be brought forward to achieve savings of \$142.8m over three years.

Fuel, oil and mining

- The income tax treatment of realignments of interests between joint venture partners in the minerals and petroleum industry will be clarified for changes of ownership within a common project.
- The Product Stewardship for Oil scheme levy will be increased to a rate of 8.5 cents per litre of oil, or kilogram of grease, from 1 July 2014.
- Changes to the tax treatment of biodiesel commence from 1 July 2015.

Response to the National Commission of Audit Report

- The government has outlined its response to the National Commission of Audit Report.