

2014 FEDERAL BUDGET



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Tuesday night's Federal Budget contained a variety of measures across superannuation, taxation and social security that will affect many Australians. Please note that these proposals are not yet legislated, and as always the team at AGS Financial Group are well placed to advise you on your strategic options as the proposals progress.

Key elements of the reforms include:

Superannuation

- Changes to excess non-concessional super contribution rules. Currently, superannuation contributions that exceed the non-concessional cap are taxed at 46.5%. After 1 July 2013, if you make excess non-concessional (i.e. after-tax) super contributions, you'll be able to withdraw the excess amount. You won't have to pay excess contributions tax and the associated earnings will be taxed at your marginal tax rate.
- Defence Force Pensions & Superannuation. Some changes to indexation methods for DFRB and DFRDB scheme members. Additionally, ADF members will now have superannuation choice, and portability of their superannuation if they leave the ADF.
- Revised Superannuation Guarantee increase timetable. The table below shows the scheduled increase as currently legislated, as proposed in the defeated Minerals Resource Rent Tax Repeal and Other Measures Bill 2013, and under the new Government proposal.

Financial year	SG rate – 2010/11 Federal Budget, legislated 29 March 2012	Proposed SG rate – defeated MRRT Repeal and Other Measures Bill 2013	Proposed SG rate – 2014/15 Federal Budget
2012/13	9%	9%	9%
2013/14	9.25%	9.25%	9.25%
2014/15	9.5%	9.25%	9.5%
2015/16	10%	9.25%	9.5%
2016/17	10.5%	9.5%	9.5%
2017/18	11%	10%	9.5%
2018/19	11.5%	10.5%	10%
2019/20	12%	11%	10.5%
2020/21	12%	11.5%	11%
2021/22	12%	12%	11.5%
2022/23	12%	12%	12%

Taxation

- Temporary Budget Repair Levy: essentially an additional 2% tax on earnings over \$180,000, effective 1 July 2014 – 30 June 2017. Note this will at times catch lower income earners who have “lumpy” taxable income items such as realised capital gains.
- Increase in the FBT rate to 49% to prevent high income earners avoiding the above measure. The cash value of benefits of employees of PBIs / charities / hospitals protected by an increase to the FBT caps.

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- Decrease to the company tax rate to 28.5% (effective from 1 July 2015). For businesses with Taxable Income over \$5mil, this will be offset by the 1.5% levy for Paid Parental Leave.
- Removal of Dependant Spouse Tax Offset and Mature Age Worker Tax Offset effective 1 July 2014.
- Businesses engaged in Research & Development: The rates of the refundable and non-refundable offsets for the R&D Tax Incentive will be reduced by 1.5 percentage points.

Social Security

- Increasing the Age Pension age to 70: The age at which you qualify for the age pension is set to increase further, to gradually reach 70 years by 1 July 2035 as follows:

Currently legislated:

Date of birth	Qualifying age at	Commencing from
1 July 1952 to 31 December 1953	65.5	1 July 2017
1 January 1954 to 30 June 1955	66	1 July 2019
1 July 1955 to 31 December 1956	66.5	1 July 2021
From 1 January 1957	67	1 July 2023

Announced in budget:

Date of birth	Qualifying age at	Commencing from
1 July 1958 to 31 December 1959	67.5	1 July 2025
1 January 1960 to 30 June 1961	68	1 July 2027
1 July 1961 to 31 December 1962	68.5	1 July 2029
1 January 1963 to 30 June 1964	69	1 July 2031
1 July 1964 to 31 December 1965	69.5	1 July 2033
1 January 1966 onwards	70	1 July 2035

- Fortunately there is no change to the super preservation age. The preservation age is currently 55, rising to 60 for those born after 30 June 1964. Potential changes to the super preservation rules will be considered by future Government enquiries.
- Medicare Changes:
 - Medicare Levy increases from 1.5% to 2% effective 1 July 2014 (as per 2013 budget).
 - Medicare Low-Income Threshold increases (effective 1 July 2013) to \$34,367 plus \$3,156 per dependant child.
 - Medicare Surcharge thresholds and private health rebate thresholds will be frozen for the period 1 July 2015 to 30 June 2018.
 - Co-payment of \$7 introduced for standard general practitioner consultations.
- Changes to the Commonwealth Seniors Health Card: Deeming of assets held in Account Based Pensions (ABPs) from 1 January 2015 will reduce the number of seniors eligible for this benefit. Pensions commenced before that date will allow cardholders to receive the current concessional treatment.
- Resetting the asset test deeming rate thresholds: The deeming thresholds will be reset to \$30,000 for singles and \$50,000 for couples from 20 September 2017. This will reduce eligibility for some recipients, particularly future recipients being deemed on ABPs after 1 January 2015.

- Stronger participation incentives for job seekers under 30: From 1 January 2015, new applicants for Newstart Allowance (NSA) and Youth Allowance (YA) who are under 30 years of age will serve a waiting period of a maximum 6 months, with reductions based on prior workforce participation.
- Family Tax Benefit (FTB) changes. Key changes in this area from 1 July 2015 include:
 - The primary earner limit for FTB part B will reduce from \$150,000 to \$100,000.
 - Family Tax Benefit B – will become limited to families with children under 6 years.
- Disability Support Pension: Reduced portability (ie payment when overseas). More stringent reviews and participation for recipients under age 35.
- Means testing thresholds freeze for 3 years for a range of pensions and allowances.

Other

- First Home Saver Accounts abolished (from 13 May 2014, with government co-contribution ceasing 1 July 2014, and tax and social security concessions ceasing 1 July 2015).
- Paid parental leave scheme revamped with payments of up to \$50,000 over 26 weeks. Paid via levy of 1.5% on businesses earning over \$5m in Taxable Income.
- Restart subsidy of up to \$10,000 over two years for employers that hire older workers.
- Reduced minimum income level for Higher Education Loan Programme (HELP) debts, from 1 July 2016.
- Fuel excise indexation to resume, resulting in some gradual increases to fuel prices.

Naturally, should these measures become law, we are on hand to assist you with understanding and responding to the changes. As always, please feel free to [contact us](#) should you require any further advice or assistance.



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