

Budget update 2015/16

13 May 2015

What's in the Budget for you?

The Treasurer, Mr Joe Hockey, has delivered his much anticipated second Federal Budget – a responsible budget about fairness, families and small business that encourages Australia to 'get out there and have a go'.

Key points include:

- Introduction of GST on digital goods purchased overseas.
- Generous new tax concessions for small businesses.
- Changes to the age pension assets test.
- Simplified child care subsidy framework and a cap on all forms of paid parental leave.

We've summarised some of the key points from the Federal Budget, but please note that these are subject to the passing of legislation, and should be discussed with your financial adviser.

Superannuation

There are no changes to superannuation at this stage. However, the Government does plan to consider super as part of a broader review of retirement incomes. In fact, this review started in March this year, with the Treasurer releasing a tax discussion paper called Re:think. In the second half of this year, the Government will issue a Green paper covering tax options in superannuation and retirement incomes. And, ahead of the 2016 election, they will put forward a white paper for the public to consider.

Taxation

Personal tax

There was no significant changes to personal tax, however, if you buy digital goods and services from overseas, such as e-books, games, movies or music as well as consultancy and legal services, the Government plans to close the GST loophole and you will need to pay GST on your overseas digital purchases.

Also, if you use your car for work, the method to calculate this as a work-related expense is being simplified. If you choose not to use the log book method, the 'cents per kilometre' method will be a flat rate of 66 cents per kilometre (irrespective of the size of your car).

Small business

The Government wants to ensure that Australians are in a good position to start and grow a small business. Some of the positive changes for small business owners with an annual turnover under \$2million include:

- A tax rate reduction - the current 30 per cent tax rate will reduce to 28.5 per cent. And, small unincorporated businesses eg sole traders, partnerships and trusts will receive a five per cent tax discount.
- An immediate tax deduction for all assets under \$20,000. This is effective from 12 May 2015 to 30 June 2017 to help small businesses invest in new tools or machinery.
- The ability to change legal structure without attracting a capital gains tax (CGT). This is to help small business owners who choose an initial legal structure that they later find does not suit them when the business is more established.
- A fringe benefits tax (FBT) exemption when providing employees with more than one qualifying work-related portable electronic device, effective from 1 April 2016.

Effective 1 July 2015, new business start-ups will also be allowed an immediate deduction for a range of professional services such as professional, legal and accounting expenses associated with starting a new business. Currently, some professional costs associated with a new business start-up are deducted over a five year period.

Primary producers

If you are a primary producer, you will be able to bring forward deductions on capital expenditure on fencing and water facilities such as dams, tanks and bores.

Centrelink and other Government benefits/payments

Age pension asset test changes

From 1 January 2017, the assets test threshold for those eligible to receive the **full age pension** will increase from \$286,500 to \$375,000 for couples (and from \$202,000 to \$250,000 for singles). This means more Australians will be eligible for the **full age pension**.

However, the upper threshold for those eligible to receive a **part age pension** will decrease from \$1,151,500 to \$823,000 for couples (and from \$775,500 to \$547,000 for singles). This means that some retirees who were once able to receive a part age pension may no longer be eligible to receive the age pension from the Government. On a positive note, those who lose their age pension will be guaranteed eligibility for the Commonwealth Seniors Health Card (CSHC).

Note: if you are no longer eligible for the age pension, this may affect the income assessment of your account-based pension and your eligibility for the Pension Bonus Scheme. If you believe you may be affected, it's important that you seek financial advice.

Also, the taper rate for the assets test, which determines how much age pension you receive, will be reduced by \$3 a fortnight for every \$1,000 of assets you own over the full age pension threshold.

The proposed changes are intended to reduce access to the age pension for wealthy seniors and to protect pensioners with lower levels of assets. The Government has kept its commitment, however, to continue to exclude the family home from the assets test.

Child Care Subsidy

The Government proposes to make early childhood care simpler, more affordable, accessible and flexible, especially for families in need.

The first proposal is to remove the Child Care Benefit and Child Care Rebate and introduce a single means tested Child Care Subsidy for all families.

The Child Care Subsidy will be 85 per cent of the child care fee (or a benchmark price, whichever is lower) per child. If your family has an income of over \$170,710, the subsidy will be 50 per cent of the actual fee or benchmark price.

The good news for higher income families is that a cap of \$10,000 per child will be established for incomes over \$185,710.

To give families and service providers time to adjust to the new model, the introduction of the new arrangements will start in July 2017.

Parental leave – double dipping

The Government has also announced removing the double dipping for parental leave payments.

Currently, you are able to access both the Government's parental leave pay scheme as well as any parental leave entitlements that are provided by your employer.

From 1 July 2016, all primary carers would have access to parental leave payments that are at least equal to the maximum parental leave pay benefit of 18 weeks at the national minimum wage.

Pension portability

From 1 January 2017, the period during which recipients of the age pension, Wife Pension, Widow B Pension and the Disability Support Pension can be absent from Australia will be reduced from 26 weeks to six weeks. This is only applicable to pensioners who have lived in Australia for less than 35 years.

Defined benefit schemes

From 1 January 2016, if you are a member of defined benefit superannuation scheme, eg a public sector fund such as the Commonwealth Super Scheme, the amount of superannuation income that you can exclude from the Centrelink income test will be capped at ten per cent.

Recipients of Veterans' Affairs pensions and/or defined benefit income streams paid by military superannuation funds are exempt from this measure.

Aged care

The Government has also announced that it will introduce changes for new residents entering into aged care from 1 January 2016.

This change will align aged care means testing arrangements for residents who pay their accommodation costs by installments with the arrangements that currently apply to those residents who pay via a lump sum.

This change will remove the rental income exemption under the aged care means test for residents who are renting out their former home and paying their aged care accommodation costs by periodic payments.