



Newsletter, May 2013

2013/2014 BUDGET UPDATE

Please find below a summary of the some of the more relevant budget announcements that affect tax. For a comprehensive report, visit <http://www.cch.com.au/budget2013>.

2013/2014 individual tax rates

Taxable income range	Marginal tax rate
\$ 0 - \$ 18,200	0
\$ 18,201 - \$ 37,000	19%
\$ 37,001 - \$ 80,000	32.5%
\$ 80,001 - \$180,000	37%
\$180,001 +	45%

These rates exclude the Medicare levy.

In 2013/14, the effective top personal marginal tax rate will be 46.5% including the Medicare levy (the flood levy was only applicable to 2011/12). There are no changes from 2012/2013.

Net medical expenses tax offset

From 1 July 2013, only people who claimed the offset in 2012/2013 will continue to be eligible for the offset in 2013/2014 (and those who claim in 2013/2014 will continue to be eligible in 2014/2015). The offset will then only be available for disability aids, attendant care or aged care until 1 July 2019.

People with adjusted taxable incomes above the Medicare Levy Surcharge thresholds (\$84,000 for singles and \$168,000 for couples in 2012/13) will be able to claim 10% of any out of pocket expenses above \$5,000. People with income below the thresholds will still be able to claim 20% of any out of pocket expenses above \$2,060.

HELP discounts

From 1 January 2014, the Government will remove the discounts applying to up-front (10% discount) and voluntary repayments (5% discount for \$500 or more).

Baby Bonus replaced with new family payment arrangements

From 1 March 2014, the Baby Bonus will be abolished and Family Tax Benefit Part A will be increased by \$2,000 for a first child and \$1,000 for second and subsequent children. Parents who take up Paid Parental Leave will not be eligible for the payment.

Legislation is currently before Parliament that proposes to reduce the Baby Bonus from \$5,000 to \$3,000 for second and subsequent children from 1 July 2013.

Medicare Levy

From 1 July 2014, the Medicare Levy will be increased from 1.5% to 2%. This will mean that the effective top personal marginal tax rate will be 47% (the Fringe Benefit Tax and Excess Contribution Tax rates will also be increased in line with this).

Self-education deductions

From 1 July 2014, self-education deductions will be limited to \$2,000 per year.

Superannuation concessional contribution limits

From 1 July 2012, concessional contribution caps were reduced to \$25,000 for all individuals. New temporary \$35,000 limits apply to certain individuals until the general limit reaches \$35,000:

Year	Under 50	Over 50	Over 60
2012/2013	\$25,000	\$25,000	\$25,000
2013/2014	\$25,000	\$25,000	\$35,000
2014/2015	\$25,000*	\$35,000	\$35,000

*Although the \$25,000 annual limit is indexed, it is only indexed in \$5,000 increments so it will take a number of years of indexation to increase the annual limit to \$30,000 (this is likely to happen in 2014/2015 and the limit is expected to reach \$35,000 in 2018/2019).

Previous Government announcements to increase limits to \$50,000 for individuals who are 50 years old or over with total super balances below \$500,000 (originally deferred from 1 July 2013 until 1 July 2014) have now been abandoned.

Withdrawal of excess contributions

From 1 July 2013, individuals will be allowed to withdraw their excess concessional contributions from their superannuation fund allowing them to be taxed at the individual's marginal tax rate (plus an interest charge) rather than the Excess Contributions Tax rate of 31.5% (plus the 15% contributions tax paid by the fund).

Superannuation pension earnings

From 1 July 2014, the tax exemption for earnings on superannuation fund assets supporting pensions will be capped at \$100,000 per year (currently all earnings on superannuation fund assets supporting pensions are exempt). Earnings above \$100,000 will be taxed at 15% with transitional arrangements for capital gains.

Self Managed Superannuation Fund levy

The SMSF annual levy (which is included in the SMSF tax assessment each year) will reduce from \$200 for 2011/2012 to \$191 for 2012/2013. It is proposed that the levy will be increased to \$259 for 2013/2014.

Important Dates

June 30 is fast approaching so you should ensure that you don't miss out on any tax planning opportunities. In-specie superannuation contributions are set to cease on 30 June 2013 (the legislation has been introduced to Parliament but is still waiting to be passed).

Superannuation contributions are critically important as the superannuation contribution limits are based on the amount paid into the superannuation fund during the financial year (not the period that the contribution relates to). If you want to maximise your 2012/2013 superannuation contribution, you need to ensure that the amount has been received by your superannuation fund before June 30.

If you have a SMSF, you should also ensure that the minimum pension payments have been made.

I will be away from May 17 to June 16 (inclusive). I am heading to Boston for a friend's wedding and will be doing some sightseeing before I come back. Fausto will be in the office and I will be checking my emails when I have the opportunity.

Kind regards,
Nick