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2014/2015 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/budget2014.

2014/2015 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 +	47%	(includes the 2% Temporary Budget Repair Levy)

The Temporary Budget Repair Levy applies to individual taxpayers who have a taxable income over $180,000 in the 2014/2015, 2015/2016 & 2016/2017 financial years (if implemented).

These rates exclude the Medicare Levy.

In 2014/2015, the effective top personal marginal tax rate will be 49.0% including the Medicare levy (which increases from 1.5% to 2.0%). This is a 2.5% increase from 2013/2014.

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 ($88,000 for singles and $176,000 for couples in 2013/14) will be able to claim 10% of any out of pocket expenses above $5,000. People with income below the thresholds will be able to claim 20% of any out of pocket expenses above $2,120 (may be indexed).

Dependent spouse and mature aged worker tax offsets

From 1 July 2014, both offsets will be abolished.

Low income tax offset

From 1 July 2015, the low income tax offset will reduce from $445 to $300.

Company tax cuts

From 1 July 2015, the company tax rate will be reduced from 30% to 28.5% (for companies with taxable incomes under five million dollars).

HELP debts

From 1 June 2016, the annual indexation will be adjusted from the Consumer Price Index to a rate equivalent to the yields on 10 year bonds issued by the Australian Government (capped at 6%).

First Home Saver Account

From 1 July 2015, the scheme is to be abolished with account holders able to withdraw their balances.

Superannuation concessional contribution limits

From 1 July 2012, concessional contribution caps were reduced to $25,000 for all individuals.

From 1 July 2014, a $30,000 limit will apply to individuals under 50 until the general limit reaches $35,000 (this is expected to happen in 2018/2019 as the annual limit is only indexed in $5,000 increments).

Year	Under 50	Over 50	Over 60
2013/2014	$25,000	$25,000	$35,000
2014/2015	$30,000	$35,000	$35,000

Employee superannuation

On 1 July 2013, the super guarantee rate increased to 9.25%.

On 1 July 2014, the super guarantee rate will increase to 9.50% as currently legislated (a previous bill introduced into Parliament to keep the rate at 9.25% until 1 July 2016 has not been passed).

Year	Current / Proposed	Year	Current / Proposed
2012/2013	9.00%	2017/2018	11.0% / 10.0%
2013/2014	9.25%	2018/2019	11.5% / 10.5%
2014/2015	9.50% / 9.50%	2019/2020	12.0% / 11.0%
2015/2016	10.00% / 9.50%	2020/2021	12.0% / 11.5%
2016/2017	10.50% / 9.50%	2021/2022	12.0% / 12.0%

It is recommended that all employee superannuation contributions for the current financial year are paid before 30 June to ensure that the new rate does not apply.

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% (32% from 1 July 2014) on top of the 15% contributions tax paid by the fund.

Commonwealth Seniors Health Card

From 1 January 2015, the Government will include untaxed superannuation income in the assessment of income to determine the eligibility for the card (by deeming income from account based pensions).

All superannuation account-based income streams held by card holders before the implementation date will be grandfathered (excluded) under the existing rules.

Important Dates

June 30 is fast approaching so you should ensure that you don't miss out on any tax planning opportunities. 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 2013/2014 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.

Kind regards,
Nick