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Family Tax Benefit B – limited to families with children under six years

Eligibility for FTB part B will be limited to families whose youngest child is younger than six years of age from 1 July 2015. During the period between 1 July 2015 and 30 June 2017, existing recipients with a youngest child aged six years and over will not be affected until 1 July 2017.

New Family Tax Benefit Allowance

A new allowance will be paid over four years to single parents on the maximum rate of FTB part A whose youngest child is aged between six and 12 years old from the point when they become ineligible for FTB part B. This allowance will provide $750 for each child aged between six and 12 years in each eligible family.

Taxation

Reduction in company tax rate

The company tax rate will be reduced by 1.5% to 28.5% from 1 July 2015. For companies earning more than $5 million in taxable income, this reduction will be offset by the 1.5% levy to fund the paid parental leave scheme which also commences from 1 July 2015.

Increase the Medicare Levy low-income thresholds for families

The Government will increase the Medicare Levy low-income phase-in threshold for families. The threshold for couples with no children will be increased to $34,367 (from $33,693 in 2012–13), the additional amount of threshold for each dependent child or student will also be increased to $3,156 (from $3,094 in 2012–13).

There will be no increase in the Medicare Levy low-income thresholds for individuals ($20,542) and pensioners ($32,279 individual/$46,000 married or sole parent) which will remain at 2012–13 levels.

Pausing indexation of the Medicare Levy Surcharge and Private Health Insurance Rebate thresholds

The Government will pause indexation of the Medicare Levy Surcharge and Private Health Insurance Rebate income thresholds for three years from 1 July 2015.

Abolishing tax offsets

From 1 July 2014, the Government will abolish the dependent spouse tax offset (DSTO) and the mature age worker tax offset (MAWTO).

Other important changes

Cessation of First Home Saver Accounts

New First Home Saver Accounts (FHSAs) opened from 13 May 2014 will not be eligible for concessions with the Government co-contribution to cease from 1 July 2014 and tax concessions and the income and asset test exemptions for Government benefits associated with these accounts to cease from 1 July 2015.

New subsidy for employers hiring Australians 50 years or over

From 1 July 2014, the Government will introduce a new wage subsidy – Restart – to encourage businesses to employ Australians who are aged 50 and over and have been on income support for at least six months. Employers may receive up to $10,000 over 24 months in Government assistance.

Source: Financial Wisdom May 2014

prp

Behind the Scenes at PRP

Welcome to the team

Linh has joined the Adelaide team in February after completing a degree in office administration and a masters in finance from University of Adelaide. Whilst away from work, she enjoys fine tuning her Vietnamese cooking skills.

Stop Press

If you hold an insurance policy with us and you have given up smoking more than 12 months ago, please contact us. There maybe significant premium savings.

prp keeping you informed

May2014

Changes to the Centrelink treatment of account-based pensions

Changes announced by the previous Labor government on the way Centrelink assesses account-based pensions will come into effect from the 1st of January 2015. The changes only affect the income test component of the Centrelink means test.

The current Centrelink income test treats account-based pensions as 'long-term income streams' where the assessable income is calculated using the following formula:

$$\frac{\text{Annual Pension payment - (Purchase price - lump sum withdrawals)}}{\text{(Life expectancy at date of purchase)}}$$

The new rules will treat all new account-based pensions as 'financial assets', which are assessed under the deeming rules where an assumed or deemed rate of return is applied to the dollar value of the pension (current rates shown in the table below).

Rate	Single	Couple
2%	First $46,600	First $77,400
3.5%	Excess	Excess

Generally the assessable income under the deeming rules is higher, which results in a lower Centrelink benefit if you are being assessed under the income test.

Existing Centrelink benefit recipients will have their account-based pensions "grandfathered" but from 1 January, all new pensions and all new Centrelink recipients will be assessed under the new rules.

There are a number of traps associated with the new rules:

- Changing your account-based pension provider after 1 January will result in the loss of grandfathering.
- Any interruption to Centrelink benefits after 1 January will result in the loss of grandfathering.
- Unless specifically established as a reversionary pension, transfer of a pension between spouses in the event of a death after 1 January will result in the loss of grandfathering.
- The transfer of a 'grandfathered' reversionary pension to a spouse who is not in receipt of Centrelink benefits after 1 January will result in the loss of grandfathering.

As everybody's situation is different, the loss of grandfathering does not automatically mean you will be disadvantaged and in some cases, you can actually benefit from it.

If you would like your personal situation reviewed in light of these changes, please contact your advisor, remembering that any changes would need to be made prior to 1 January 2015.

Did you know?

We have accounting and taxation services in both Adelaide and Renmark? We would be happy for you to refer friends and family to have their tax returns completed by us!

Do you know someone who would benefit from PRP Group Services? Why not pass along this newsletter to introduce us!

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BUDGET 2014-15

What You Need To Know

Federal Treasurer Joe Hockey has handed down the Abbott Government's first budget, confirming a number of previously announced measures. These included the introduction of a Temporary Budget Repair Levy on high income earners, an increase in the pension age to 70, and the option to withdraw excess non-concessional contributions from superannuation.

It is important to note the Budget announcements are still only proposed at this stage and need to be legislated.

Temporary Budget Repair Levy

From 1 July 2014, a levy of 2% will apply to an individual's taxable income over $180,000 per annum for three years. Below is an indication of the amount of the levy for people on different incomes:

Taxable income	Temporary Budget Repair Levy
$200,000	$400
$250,000	$1,400
$300,000	$2,400

It's also important to note that while this Levy is proposed to apply to high income earners, it could also potentially apply to people with income below $180,000 where they sell an asset where they would incur a capital gain, as the net capital gains amount will be included in the taxpayer's taxable income and could push them over the $180,000 threshold.

Superannuation

Option to withdraw excess non-concessional contributions from superannuation

The Government has proposed that individuals will have the option to withdraw contributions made from 1 July 2013 that exceed their non-concessional contributions cap. This proposal is good news as it will mean that investors who inadvertently exceed their non-concessional cap will have the ability to withdraw the excess amount rather than have it taxed at the top marginal rate.

Under this measure, associated earnings are also able to be withdrawn and taxed at the individual's marginal tax rate. Final details of the policy will be settled following consultation with key stakeholders in the superannuation industry. It's understood that individuals who do not withdraw their excess non concessional contributions will continue to be subject to excess contribution tax at the top marginal tax rate on the amount of the excess.

Superannuation guarantee rate to increase to 9.5% – change to schedule for increase to 12%

The Government has announced that the Superannuation Guarantee rate will increase from 9.25% to 9.5% from 1 July 2014. However, the Superannuation Guarantee will stay at 9.5% until 30 June 2018 before it will increase gradually each financial year by 0.5% until it reaches 12% on 1 July 2022.

Social security changes

Age pension age increase to 70 by 2035

The Budget confirmed the Treasurer's earlier announcement that the age pension age will increase to age 70 by the year 2035. This means that those born on or after 1 January 1966 (currently 48 years of age or younger) will have to wait until they are 70, before they are eligible for the age pension.

If you are 48 years old or younger this may result in you needing to work longer or save more if you think you may want or need to retire before age 70. You will require approximately $96,432 to fund the five-year gap. Couples will need approximately $72,689 each to fund the five year gap. This is to generate the equivalent of the current maximum age pension of $21,912 pa (for singles) and $16,517 pa (for couples, each) assuming inflation of 3.0% pa; pension increase of 3% pa; investment rate of return of 7% pa.

While the current pension age for both men and women is 65, it has already been legislated that from 1 July 2017, the qualifying age for the Age Pension will increase from 65 years to 65½ years for both men and women. The qualifying age will then rise by six months every two years, reaching 67 by 1 July 2023.

Changes to the Commonwealth Seniors Health Card

The Government has announced a number of changes to tighten eligibility for the Commonwealth Seniors Health Card (CSHC). The CSHC allows self-funded retirees to gain access to medicines listed on the Pharmaceuticals Benefits Scheme at a concessional rate, as well as other concessions. Currently to qualify for a CSHC, an eligible person must have an adjusted taxable income (ATI) of:

- $50,000 (singles)
- $80,000 (couples, combined)

The Government has proposed the following changes to the CSHC:

- Annual indexation of the income thresholds to Consumer Price Index from September 2014.
- From 1 January 2015, the deemed income from account based pensions (ABPs) will be included in the CSHC income test. This assessment of ABPs will be the same for CSHC holders as for Age Pensioners. However, grandfathering applies to holders of a CSHC on 1 January 2015 with an ABP commenced prior to that date.
- Holders of the CSHC will cease to receive the Seniors Supplement beyond June 2014. The Seniors Supplement is currently $876.20 pa (singles) or $660.40 pa (couples, each).

Disability Support Pension changes

Disability Support Pension (DSP) recipients under age 35 who were granted DSP between 1 January 2008 and 31 December 2011 will be reviewed against current impairment tables and have their work capacity assessed.

Recipients with an assessed work capacity of eight hours or more will be required to participate in activities that will help them find and keep a job.

Compulsory activities may include:

- Work for the Dole
- job search
- work experience
- education or training
- connecting with a Disability Employment Service or Job Services Australia.

DSP recipients who were granted on manifest grounds are excluded as they already have an assessed work capacity of less than eight hours a week. Note there are also proposed changes to the period DSP can still be paid when the recipients travel overseas.

Indexing pensions and pension equivalent payments by CPI

The Government will index a number of pensions (and equivalent payments) by the Consumer Price Index (CPI). This measure will standardise the indexation arrangements for payments which are currently indexed in line with the higher of the increase in the CPI, Male Total Average Weekly Earnings or the Pension and Beneficiary Living Cost Index.

This measure will commence on 1 July 2014 for Parenting Payment Single recipients and from 1 September 2017 for pension payments including Age Pension, Disability Support Pension, Carer Payment, Bereavement Allowance and Veterans' Affairs pensions.

Increasing the eligibility age for Newstart and Sickness Allowance

From 1 January 2015, the eligibility age for Newstart and Sickness Allowance (NSA) will increase from 22 to 24 years of age. Current recipients of NSA and SA aged 22 to 24 years as at 31 December 2014 will remain on those allowances.

Paid parental leave to commence

From 1 July 2015, the Government will proceed with a new paid parental leave scheme. Under the scheme mothers will receive up to 26 weeks of salary up to a cap of $100,000 per annum. This translates into a maximum payment of $50,000 over the 26 week period. This scheme will be funded via a 1.5% levy on companies earning taxable income over $5 million.

Medicare Benefits Schedule – patient contributions for standard GP consultations and certain out-ofhospital services

From 1 July 2015, the Government is reducing Medicare Benefits Schedule rebates by $5 for standard GP consultations and out-of-hospital pathology and imaging services, allowing providers of these services to collect patient contributions of $7 per service.

For patients with concession cards and children under age 16, Medicare Benefits Schedule rebates will only be reduced for the first 10 services each year, with additional services subject to current benefit levels.

Family Tax Benefit reform

The Treasurer has announced a number of measures which tighten the eligibility for Family Tax Benefit (FTB) and put a freeze on the indexation of payments. These measures and their impact are outlined below. It's important to note that for FTB purposes, eligibility is based on ATI.

From 1 July 2014

Family Tax Benefit A and B – freezing of indexation

Indexation will freeze on the following rates and thresholds:

- Base rate and maximum rate will be fixed for two years for FTB part A
- Income free area will be fixed for three years for FTB part A aaMaintenance income free area will be fixed for three years for FTB part A
- Secondary earner income free area will be fixed for three years for FTB part B.

From 1 July 2015

Family Tax Benefit A – removal of the per child add on

Under this measure, a per child add-on amount will no longer be used to calculate a family's higher income-free area. The higher income-free area of $94,316 will remain, without the add-on amount of $3,796 for the second FTB child and subsequent FTB children.

Family Tax Benefit B – reduction of primary earner income limit to $100,000

The primary earner income limit for FTB part B will reduce to $100,000 from $150,000. Families with primary earner income of more than $100,000 will no longer be eligible to receive FTB part B.

This change applies automatically for new and existing recipients.

As part of this measure the Dependant (Invalid and Carer) Tax Offset income threshold will also reduce to $100,000.

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