

Key Budget Outcomes

Australian economic predictions

	Budgeted 2011	Budgeted 2012	Budgeted 2013	Expected 2014
Real GDP Growth %	2%	3%	2.6%	2.75%
CPI	3.6%	1.25%	2.4%	3.75%
Unemployment Rate	4.9%	5.25%	5.6%	6%
Wage Price Index	3.8%	3.7%	2.9%	2.75%
Deficit/Surplus	-\$47.7B	-\$43.4B	-\$18.8B	-\$49.8B
Population	22.6 million	22.8 million	23.3 million	23.7 million

Government debt

- 2015 - \$667 billion (expected)
- 2024 - \$389 billion (expected)

Tax changes from 1 July 2014

Individuals

- Dependent Spouse Tax Offset abolished.
- Mature Aged Worker Tax Offset abolished.

Families

- The Family Tax Benefit (FTB) Part B – eligible until one parent earns more than \$100,000 per annum (currently \$150,000 per annum) until the youngest child reaches six years of age.
- Phasing out of existing FTB Part B benefits, where children are six years or older, for the next two years.
- Cuts to end of year supplement payments.
- Part A threshold has not changed from \$94,316.

Paid Parental Leave Scheme

- The Paid Parental Leave Scheme will pay 26 weeks (six months) parental leave, based on the individual's full-time salary, to a maximum of \$50,000.
- Not means tested.

Welfare/Pension Measures

- Aged Pension – gradually increase the eligibility of the aged pension to 70 from 1 July 2035.

Welfare/Pension Measures (cont.)

- Reset the assets test deeming rate threshold.
- Commonwealth/Seniors Health Card – from 1 January 2015, exempt superannuation pensions will be added to income for the purposes of the eligibility test, except for account-based pensions that have commenced prior to 1 January 2015.

Apprentices

The government will introduce a Trade Support Loans Program, which will give apprentices a loan of up to \$20,000 over a four-year apprenticeship.

The loans will be provided at concessional interest rates and will be staggered across the four-year period with up to \$8,000 available for the first year of an apprenticeship, \$6,000 in the second year, \$4,000 in the third year and \$2,000 in the fourth year.

The loan will not be tied to the particular spending requirements and recipients will be required to pay back the loan when their income exceeds the minimum repayment threshold of \$53,345. Those who complete their training will receive a 20% discount.

At the same time, the government will withdraw the previous scheme, Tools for your Trade, from 1 July 2014.

Taxation

Temporary Budget Repair Levy

The government has announced the introduction of a Temporary Budget Repair Levy, to apply from 1 July 2014 through to 30 June 2017. The levy will apply to individuals with a taxable income exceeding \$180,000.

Tax/levy rates applying to individuals, for the component of their taxable income exceeding \$180,000, will be:

- Income Tax – 45%
- Temporary Budget Repair Levy – 2%
- Medicare Levy – 2%
- Total – 49%

If the individual is subject to the Medicare Levy Surcharge, the total of taxes/levies will be as follows, for component of their income, which exceeds \$180,000:

- Without Medicare Levy – 49%
- Medicare Levy Surcharge – 1.5%
- Total – 50.5%

Marginal Income Tax Rates 2014-15

Taxable Income Threshold Range	2014/15 Marginal Income Tax Rate %
\$0 - \$18,200	Nil
\$18,201 - \$37,000	19%
\$37,001 - \$80,000	32.5%
\$80,001 - \$180,000	37%
\$180,001 plus	45%

To each of these rates, it is necessary to add the Medicare Levy of 2% and, for incomes in excess of \$180,000, the Temporary Budget Repair Levy.

Company Tax Rates

From 1 July 2015, the company tax rates are as follows:

- Companies with taxable income of less than \$5 million – 28.5%
- Companies with taxable income of over \$5 million – 28.5%
- In addition, companies with taxable income of over \$5 million will be liable for the Parental Leave Levy of 1.5%, bringing those companies' total tax/levy to 30% of taxable income.

Fringe Benefit Tax (FBT)

The FBT rate for the period 1 April 2015 to 31 March 2017 will be 49%.



Super contributions

From 1 July 2014, the super guarantee rate will be 9.5%. Superannuation contributions in future years will be:

- 2015/16 – 9.5%
- 2016/17 – 9.5%
- 2017/18 – 9.5%
- 2018/19 – 10%
- 2019/20 – 10.5%
- 2020-21 – 11%
- 2021/22 – 11.5%
- 2022/23 – 12%

Superannuation contribution limits

Age	Superannuation Contribution Limit	
	2013/14	2014/15
Under 50 years	\$25,000	\$30,000
50 years to under 60 years	\$25,000	\$35,000
60 years and over	\$35,000	\$35,000

Non-Concessional Contribution Cap

Financial Year	Standard Cap	3-Year Contribution Limit
2013/14	\$150,000	\$450,00
2014/15	\$180,000	\$540,000

Excess Contributions Tax (ECT)

From 1 July 2013, the ability to withdraw non-concessional contributions that exceeded the \$150,000 per annum cap without ECT includes associated earnings.

Issues for small business and primary producers

Research and Development Rebate

The rebates for the 2013/14 financial year will be:

- Companies with turnovers of under \$20 million – 45%
- Companies with turnovers of over \$20 million – 40%

For the 2014/15 financial year, the R&D rebates will be:

- Companies with turnovers of under \$20 million – 43.5%
- Companies with turnovers of over \$20 million – 38.5%

Exporters

- The government has ignored the recommendation from the Audit Committee and will continue to support the Export Finance Investment Corporation.
- The Export Market Development Grant will continue with an extra \$50 million in funding.

Fuel Excise Indexation

The government will re-introduce the Fuel Excise Indexation. The indexation will be assessed twice a year, rising about one cent a litre to 39 cents per litre this year.

Small Business and Family Enterprise Ombudsman

The government is allocating \$8 million in extra funding in the budget to turn the existing office of the Australian Small Business Commissioner into a Small Business and Family Enterprise Ombudsman, with extra powers and functions to act as a 'one-stop shop' for small business interactions with the government.

Major Project

The government has announced a large funding commitment, in conjunction with State governments, for road projects and other major infrastructure projects around Australia. Some small businesses will benefit from these projects.

Unfair Contract Protection

The government has indicated that it will extend unfair contract protection for small businesses. The government has allocated \$1.4 million to enable small businesses to access the same unfair contract protection currently available to consumers, under the Australian Consumer Law. The government has indicated that this will help to provide a level playing field for small businesses and enhance the welfare of Australians, by increasing a small business certainty, confidence and productivity.



Farmers Affected by Drought

The government has confirmed the announcement, originally made in February 2014, of a \$320 million drought package. Drought concessional loans will be available to eligible farm businesses.

The Farm Household Allowance commences 1 July 2014, to help farmers during times of financial hardship, ensuring income support, to assist with essential bills and to put food on the table.

Agriculture Research and Development

The government will provide \$100M in new funding for rural research and development, specifically to support continued innovation in the agriculture, fisheries and forestry sectors.

The program will be known as Rural R&D for Profit Policy Initiative and will fund research activities which focus on enhancing the profitability of agriculture industries. The research will focus on delivering cutting edge technologies with an emphasis on making research accessible for farmers. The initiative will be delivered in a competitive grants process.

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Issues for small business and primary producers

Small exporters

The government has announced that small exporters will have access to \$15 million in funding over the next four years, to deal with the cost of export fees and charges. The grant will apply to small exporters in the meat, dairy, fish, horticulture and grain industries. The rebate will be made available in 2014/15 financial year, to cover 50% of export registration charges up to a maximum of \$5,000.

Incentive to Hire Older Workers

From 1 July 2014, businesses will be able to receive up to \$10,000 in government funding if they hire a jobseeker aged 50+. Eligible employers will receive \$3,000 if they hire a full-time, mature-aged jobseeker who was previously unemployed for a minimum of six months and employ that person for at least six months.

Once the jobseeker has been working for the same employer for 12 months, the business will receive another payment of \$3,000, then another payment of \$2,000 at 18 months and a final payment of \$2,000 at two years.

To be eligible for Restart, businesses will need to demonstrate that the job they are offering is sustainable and ongoing and they are not displacing existing workers with subsidised jobseekers.

New government grants

The government has announced some new government grants and initiatives:

Growth Fund

To assist the Victorian and South Australian economies adjust to a future without car assembly.

Manufacturing Transition Grants Program

To assist manufacturers to move towards higher value and niche manufacturing opportunities (an additional \$50 million will be provided).

Exploration Development Incentives

Available for small explorers not making any taxable income. The funding is \$100 million. This is a refundable tax offset, payable to Australian Residents Shareholders, of small minerals explorers that undertake green fields' exploration and have no taxable income against which to offset this expenditure.



Entrepreneurs Infrastructure Program

From 1 July 2014, this fund will be allocated \$484.2 million over five years, to support the 'commercialisation of good ideas' and boost small business.

The program's focus is to support 'the commercialisation of good ideas', job creation and lifting the capability of small business, the provision of market and industry information, and the facilitation of access to business management advice and skills from experienced private sector providers and researchers. This program has been introduced after the removal of eight other program initiatives.

Industry Skills Fund

Will be created to support the training needs of small and medium business, focusing on health, mining and advanced manufacturing (this will be after the abolishment of 10 different skills and training programs).

Medical Research

Medical research will be boosted by the fund that will distribute \$276.2 million over the three financial years, starting in 2015-16 and, ultimately, aims to provide \$1 billion per annum in medical research funding by 2022/23.

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Government grants removed or reduced

The treasurer has announced the removal of a number of grant programs

- Supporting automotive sector jobs program.
- Automotive Transformation Scheme (ATS) will cease on 1 January 2018. (The treasurer has indicated there is still \$1 billion available for allocation by the ATS, to assist the motor vehicle industry sector.)
- Commercialisation Australia
- Enterprise Solutions Program
- Innovation Investment Fund
- Enterprise Connect
- Industry Innovative Precincts
- Australian Industry Participation Program
- Textile, Clothing and Footwear – Small Business
- Building Innovative Capability
- The government will abolish 10 different skills and training programs (partly offset by the announced introduction of the Industry Skills Funds).
- Tools for Trade Program (partly offset by the Trade Support Loans program for apprentices).
- Australian Renewable Energy Agency
- Mature Aged Worker Tax Offset will be abolished from 1 July 2014.
- There have been a number of deductions, which will be repealed. As a result, of the government's commitment to repeal the Minerals Resources Rent Tax:
 - This includes faster write-off to small business' depreciating assets (no longer available after 1 January 2014); and
 - Loss Carry Back Offset measures (basically, a one-year initiative for 2013 only).

Government grants reduced funding

The government has announced reduced funding for a number of programs, including:

- Clean Technology (investment and innovation program)
- Cooperative Research Centres
- Carbon Capture and Storage Flagships Program
- National Low Emissions Coal Initiative
- Subsidies to bio-fuel producers
- Ethanol Production Grants Program
- Cleaner Fuel Grants Scheme
- First Home Saver Accounts Scheme.

Professional advice

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents.

Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only. If you have any queries about any item in the Government's Federal Budget, please contact Collins Hume on 02 6686 3000.

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