

## Big spending announcements for disability care and education packages; also some notable outlay reductions

This special edition of The Strategist refers to many of the matters contained in the budget which will affect SMEs and primary producers

The Australian government's Federal Treasurer, Wayne Swan, delivered the Labour government's budget on 14 May 2013. None of the items contained within the budget will become law until the budget is passed by the House of Representatives and the Senate, and signed by the Executive Council.

The Australian government's budget performed \$20.9B worse than what the government had forecasted 12 months ago. The budget for 2013/14 includes some big spending announcements for disability care and education packages, but also includes some notable outlay reductions, primarily the Baby Bonus, which is replaced with a drastically reduced payment to be rolled into Family Tax Benefit A. Also included in the budget are:

- Introduction of a package of measures targeting multinational business' profit shifting.
- Changes to Capital Gains Tax for foreign residents.
- New anti-avoidance rules targeting 'dividend washing' by investors.
- A New Farm Household Allowance under the National Drought Reform Package.
- Medical expenses/tax offset to be phased out.
- Work-related self-education expenses to be capped at \$2,000 per person, per year.
- The extension of the monthly PAYG instalment system to all businesses with turnovers over \$20M.
- No changes to tax concessions for small businesses.
- The government is forecasting a surplus of under \$1B by 2015/16.

	Budgeted 2012/13	Revised 2012/13	Forecasts 2013/14	Projected 2014/15
<b>GDP Growth</b>	3.25%	3%	2.75%	3%
<b>CPI</b>	3.25%	2.5%	2.25%	2.25%
<b>Unemployment Rate</b>	5.5%	5.5%	5.75%	5.75%
<b>Wage Price Index</b>	3.75%	3.5%	3.5%	3.5%
<b>Forecast Deficit/Surplus</b>	\$1.5B surplus	\$19.4B deficit	\$18B deficit	\$10.9B deficit
<b>Population</b>	23.1M	23.1M	23.4M	23.8M

## Key 2013 Budget Outcomes

### Personal Income Tax Rates 2013/14

Taxable Income	2013/14 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 plus	45%

- The Medicare Levy will increase by 0.5% from 1 July 2014 to 2% to partly fund the disability.
- The government intends to phase out the medical rebate by 30 June 2019. If a taxpayer does not claim the medical rebate in any one year, the taxpayer will not be eligible to claim the medical rebate in a subsequent year up to 30 June 2019.
- 'Mining rights and information acquisitions' made after 14 May 2013 have to be depreciated over 15 years, or the life of the project.
- The Taxable Payment Report will operate for the Building Industry, with the first report due to be lodged on 28 July 2013 (for the year ended 30 June 2013).
- The cost of '457 Certificates' has doubled to \$900 for foreign workers.
- The government has acknowledged the need to adjust the carbon tax, and this will be adjusted to \$12.10 per tonne in 2015/16.

# Key issues announced in the Budget and at other times

## Superannuation

- The government is introducing tax on superannuation funds for earnings exceeding \$100,000 per annum. The tax payable will be 15% on the amount over \$100,000.
- The \$100,000 threshold will be indexed to the Consumer Price Index (CPI) each year and will rise in \$10,000 increments.
- Superannuation contribution tax for taxpayers with an adjusted income in excess of \$300,000 will be 30%.
- The Superannuation Guarantee Levy increases to 9.25% from 1 July 2013.
- From 1 July 2013 employers are required to disclose on payslips the amount of superannuation payments on behalf of the employee and the date that the payment was made to the employee's nominated superannuation fund.
- Superannuation contribution cap for individuals aged over 60 has been increased to \$35,000 from 1 July 2013.
- Superannuation contribution cap for all individuals increases to \$35,000 from 1 July 2014.
- The excess superannuation contribution tax will be reformed so that taxpayers, who exceed their annual contribution limit, will be taxed at their own marginal rate plus interest, rather than at the top marginal rate (47%).
- Employees over 70 years of age are eligible for superannuation guarantee from 1 July 2013.

## Primary Producers

- Farm Management Deposits – the allowable non-farm income allowed to be earned by a primary producer will be increased from \$65,000 to \$100,000.
- The government has allocated almost \$100M for a Farm Household Allowance, to help support farmers in hardship, as part of the National Drought Reform Program. This will relate to improved options for farm business training, better risk management tools and support services for farmers. The allowance will be paid at the Newstart Allowance Rate and will be available to eligible families in periods of hardship.
- A concessional loan package, of up to \$650,000, will be created to assist farmers who are experiencing difficulties caused by the drought. The loans will be available from 1 July 2013 and are aimed at increasing productivity and debt financing. The program will provide \$30M a year for two years to each State and the Northern Territory. Loans to eligible businesses can be up to 20 years with the interest only component available for 5 years. After that the concessional loan interest rate will revert to a market rate and businesses in the program will start repaying the loan principal.
- Over the next two years, the government will expand the Rural Financial Counselling Service with 17 specialist counsellors to assist primary producers.

## Tax Payments

- Companies with turnovers over \$20M will be required to make monthly PAYG payments from 1 January 2016.
- Superannuation funds, trusts, big investors and other similar entities that fall under the PAYG system and have an annual turnover of over \$20M, will be required to pay tax monthly from 1 January 2016.
- Fringe benefit tax increases to 47% from 1 April 2014.

## Apprenticeships

- The Alternative Pathways Program will assist employers to hire apprentices in high demand industries which are facing skills shortages.
- Employers will be paid \$2,000 per apprentice to encourage their participation in the Alternative Pathways Program.
- The government will support 20 local employment coordinators in designated priority areas.
- The government has also allocated funding to encourage jobseekers to relocate to take up jobs and apprenticeships in rural and regional areas. The government will provide \$6,500 to families and \$4,500 for individuals to move outside a capital city.

If you're trying to understand the full implications of how 2013's Federal Budget announcements will affect how you operate, phone Collins Hume on 02 6686 3000 so we can expedite your knowledge and bring you up to date to swing into action.

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# Key issues announced in the Budget and at other times

## Shareholdings – Dividend Washing

- 'Dividend Washing' (Franking Credit Trading) is where shares are sold with a dividend, and the right to the equivalent shares are immediately bought, but still carry a right to a dividend.
- This can result in some shareholders receiving two sets of Franking Credits for effectively the same parcel of share.
- This measure will ensure that investors will only be entitled to use one set of Franking Credits. The changes will be targeted to the two-day period, after a share goes ex-dividend.
- The changes will only apply to investors who have Franking Credits of more than \$5,000. This change will apply from 1 July 2013.

## Other issues

- The government has acknowledged the need to adjust the carbon tax, and this will be adjusted to \$12.10 per tonne in 2015/16.
- The deduction for self-education expenses will be capped at \$2,000.
- The ATO will be providing extra funding for data matching of property, shares, auctions and partnership distributions.
- The ATO has received extra funding for monitoring tax compliance by trusts.
- The government will remove the discount that applies to upfront and voluntary payments made under the Higher Education Loan Program. This will take effect from 1 January 2014.

## National Broadband Network (NBN)

- The government will provide extra funding for NBN initiatives across Australia. The additional funding will deliver an extra 21 digital enterprise services, including a virtual service in remote Australia, with the expanded program expected to provide 3,650 group training and 14,350 one-on-one training sessions, to approximately 49,000 SME participants.
- 15 digital local government programs will also be rolled out. Local government councils could receive up to \$375,000, which will enable them to use the NBN to deliver improved services to local residents.

## The Creation of Enterprise Solution Program

This program is aimed at helping 'innovative small and medium businesses'.

Funding of \$29.4M over 5 years for SMEs to apply for grants of up to \$100,000 for feasibility studies, and up to \$1M for proof of concept grant; is targeted at helping SMEs overcome barriers and become more competitive in bids for government contracts. The grant will be provided to enterprises to develop 'innovative solutions for the future needs of government entities'.



## Government Grants

- There will be reductions in the funding available for Clean Technology Grants.
- Funding for regional communities under the Carbon Tax Legislation has been eliminated.
- The government has allocated funding for manufacturers for Clean Technology Activity, with the amount allocated being \$160M.

## Disaster Payments

- Disaster Income Recovery Subsidy (DIRS) payments provided between 3 January 2013 and 30 September 2013 will be exempt from income tax.
- The DIRS provides financial assistance to employees, small business operators and farmers, who experienced a loss of income as a direct consequence of natural disasters occurring in Australia.

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