

2013 Federal Budget Summary

14th May 2013

The Federal Budget Analysis prepared by GWMAS trading as MLC Technical appears below.



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The 2013 Federal Budget only contained a few surprises as many of the measures had already been announced.

Note: These measures are proposals only and may or may not be made law.

Summary

- The Medicare levy will increase by 0.5% to 2% pa from 1 July 2014.
- The \$5,000 Baby Bonus will be removed from 1 March 2014. Instead, families eligible for Family Tax Benefit (Part A) will receive \$2,000 following the birth of their first child, and \$1,000 for each subsequent child.
- The superannuation concessional contribution cap will increase from \$25,000 pa to \$35,000 pa from:
 - 1 July 2013 for people 60 and over, and
 - 1 July 2014 for people 50 and over.
- From 1 July 2014, all pension asset earnings above \$100,000 will be taxed at 15%.

Personal tax changes

No changes to tax rates

The proposed changes to the marginal tax rates and income thresholds, which were due to take effect from 1 July 2015, will no longer be going ahead.

The table below summarises the thresholds and taxation rates that will continue to apply.

Current income thresholds	Marginal tax rates
\$0 - \$18,200	0%
\$18,201 - \$37,000	19%
\$37,001 - \$80,000	32.5%
\$80,001 - \$180,000	37%
\$180,001 +	45%

Baby bonus to be replaced with new Family Tax Benefit payment

Date of effect: 1 March 2014

The Baby Bonus, which currently pays \$5,000 to eligible parents for each new born or newly adopted child, will be replaced from 1 March 2014.

Instead, families who are eligible for the Family Tax Benefit Part A (FTB(A)) will receive \$2,000 following the birth of their first child, and \$1,000 for each subsequent child. This benefit will be paid as part of their usual FTB(A) payment, instead of a cash bonus payment.

Medicare levy to increase in 2014

Date of effect: 1 March 2014

The Medicare levy will increase by 0.5% to 2% pa of taxable income from 1 July 2014. This will help raise funds to build a better life for Australians with significant and permanent disability.

Changes to self-education expense deductions

Date of effect: 1 July 2014

From 1 July 2014, tax deductions for self-education expenses will be capped at \$2,000 pa for individuals.

Early HECS-HELP repayments removed

Date of effect: 1 July 2014

Up-front and voluntary early repayments under the HELP program will be removed in 2014. University and other eligible students will no longer receive a discount if they pay fees up-front or repay their HELP debt early.

Superannuation

Recent super reforms confirmed

Date of effect: various

The proposed reforms to Australia's superannuation system that were announced on 5 April 2013 have been confirmed.

The key superannuation measures include:

Higher concessional contribution cap

The concessional contribution (CC) cap will increase to \$35,000 pa from:

- 1 July 2013 for people 60 and over, and
- 1 July 2014 for people 50 and over.

The cap will remain at \$25,000 pa for all other ages.

The table below outlines the proposed caps that will be available over the coming years.

Age	2012/13	2013/14	2014/15
Under 50	\$25,000	\$25,000	\$30,000
50 – 59	\$25,000	\$25,000	\$35,000
60 and over	\$25,000	\$35,000	\$35,000

Excess contributions tax reforms

From 1 July 2013, individuals will be allowed to withdraw any excess concessional contributions made from their super fund.

In these instances, excess concessional contributions will be taxed at the individual's marginal tax rate, plus an amount for interest.

Reduced tax concessions for high-earners

Date of effect: 1 July 2012

In the 2012 Federal Budget, the Government announced that individuals with incomes above \$300,000 pa will pay an additional 15% tax on their concessional super contributions. Draft legislation for this measure was recently released and was confirmed in the 2013 Budget.

Retirement incomes

Changes to tax on pension asset income

Date of effect: 1 July 2014

On 5 April 2013, the Government announced changes to the taxation of earnings in super pensions. These proposed changes have been confirmed and the following is due to apply from 1 July 2014:

- all earnings on assets that support superannuation income streams will only be tax-free up to the first \$100,000 per member, and
- earnings above \$100,000 will be treated as income and taxed at 15%.

Social security changes

Income free area for allowance recipients

Date of effect: 20 March 2014

The income free area for certain allowance recipients will increase from \$62 per fortnight to \$100 per fortnight. This means, from 20 March 2014, an individual can earn up to \$100 per fortnight before their maximum allowance is reduced.

This change will apply to:

- Newstart Allowance
- Sickness Allowance
- Parenting Payment (partnered)
- Widow Allowance
- Partner Allowance Payment, and
- Partner Allowance Pension.

Family payments

There have been a number of changes to family payments. In some cases, this will mean fewer families will receive benefits and others will see their payments reduce as their income grows.

Some key changes include:

- **Changes to age eligibility from 1 January 2014:** A family will only be eligible for FTB(A) until a child who is 16 years or older completes school.
- **Reduction in time to claim FTB and Child Care Assistance from 1 July 2012:** When claiming FTB or Child Care Assistance, families will now only have 12 months from the end of the financial year to finalise their claim and determine if they're eligible for an end of year supplement.

Housing help for Seniors

Date of effect: 1 July 2014

The Government will trial a program from 1 July 2014 to help older Australians move to more age-appropriate housing.

The program will apply an assets test exemption to Age Pension recipients who downsize their family home. To be eligible, the family home needs to have been owned for at least 25 years and at least 80% of the excess sale proceeds (up to \$200,000) need to be deposited with an authorised institution.

The exemption also applies to people moving into a retirement village or granny flat, but not residential aged care.

Any questions?

If you have any questions, please speak with your financial adviser or call us on **132 652** between 8am and 6pm (AEST), Monday to Friday.

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