



Federal Budget 2014

What the Federal Budget means
– personal and business tax

NAB's Senior Tax Advisor and a panel of economists reflect on how the Federal Budget's tax measures will impact businesses and individuals.

The Federal Budget contained few tax surprises, with most of the key revenue changes previously announced by the Government, including the expected additional tax for high income earners and the Indexation of Fuel Excise which will impose an additional cost on both business and individuals.

The Government remains committed to longer-term tax reform and will continue the development of tax reform options to take to the next election through the previously announced tax white paper process. It is not yet known whether this Government will make further structural changes, such as increasing the rate of GST or broadening its base.

Key initiatives:

- Introduction of a Temporary Budget Repair Levy of 2%, which effectively increases the top marginal tax rate (including the Medicare Levy) to 49%;
- Introduction of a temporary increase in the Fringe Benefit Tax rate from 47% to 49%;
- Confirmation of the Government's commitment to cut the company tax rate by 1.5% from 1 July 2015 and to introduce a Paid Parental Leave levy;
- Change in the timing of the Super Guarantee rate increases, which will change to 9.5% from 1 July 2014, instead of the previously announced delay;
- Changes to superannuation excess contribution tax;
- Reintroduction of fuel excise indexation; and
- Small reduction of the benefit of the R&D tax offset by 1.5%.

Business

- The Government remains committed to reducing the corporate tax rate from 30% to 28.5% from 1 July 2015. However, as previously announced, the Paid Parental Leave levy will be introduced for large businesses, which will offset the effect of the tax cut. If implemented, we don't expect that the levy will be frankable and therefore imputation credits will also be reduced to 28.5%.
- Fringe Benefits Tax will be increased from 47% to 49% for the two years from 1 April 2015. The benefits cap for public benevolent institutions will also be increased.

- The Superannuation Guarantee rate will be increased to 9.5% from 1 July 2014 and will remain flat until 30 June 2018.
- The R&D tax offset will be reduced by 1.5% from 1 July 2014.
- The Government also announced or reconfirmed a raft of measures including:
 - No change to exempt income of charities;
 - No decisions made on deductions relating to foreign source income;
 - Commitment to reform the offshore banking unit (OBU) regime from 1 July 2015;
 - Deferral of the new taxation of Managed Investment Trusts regime by twelve months to 1 July 2015;
 - Deferral of the third party reporting and data matching regime to 1 July 2016.

Personal tax

- A Temporary Budget Repair Levy will be introduced from 1 July 2014 until 30 June 2017. The levy will effectively increase the top marginal tax rate by 2% from 45% to 47%. Taking into account the previously announced Medicare Levy increase from 1.5% to 2%, the effective top marginal tax rate, including Medicare Levy, will be 49% for the three-year period from 1 July 2014.
- As an anti-avoidance measure, the FBT rate will also be temporarily increased from the current rate of 47% to 49% for the two-year period from 1 April 2015 until 31 March 2017.
- The Government will allow individuals the option of withdrawing superannuation contributions in excess of the non-concessional contribution cap made from 1 July 2013 where any inadvertent breach would've resulted in a substantial tax penalty.
- Dependent spouse tax offset will be abolished from 1 July 2014.
- Mature age worker tax offset will also be abolished from 1 July 2014.
- First Home Saver Accounts scheme will be abolished from 1 July 2015 and will be treated as ordinary bank accounts.
- Family tax benefits will be reformed. The Family Tax Benefit Part B primary earner income limit will be reduced from the current \$150,000 to \$100,000 from 1 July 2015. Part B payments will also be restricted to families whose youngest child is less than six years of age. The Part A large family supplement will be limited to families with four or more children.

Important information

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