FEDERAL BUDGET 2015–16 – WHAT DOES THE BUDGET MEAN FOR YOU?

13 MAY 2015

If you're like most Australians, you're busy paying the bills and saving for retirement, as well as accessing services like healthcare, education, child care and aged care. So how will the Federal Budget 2015–16 change the way you live and work on a practical day-to-day level?

The good news to start with is that the Federal Treasurer confirmed there will be 'no new taxes on superannuation under this government' during his Budget speech.

Here's a brief round-up of what the budget could mean for the rest of your family finances—whether you're starting out in your working life, building a career and family, or enjoying the fruits of your labour in retirement. But don't forget—the proposals may change as legislation passes through parliament.

REFORMING CHILD CARE PAYMENTS

Proposed from 1 July 2017

A new single Child Care Subsidy (CCS) will aim to meet the cost of child care for parents engaged in work, training, study or other recognised activity.

The CSS replaces the Child Care Benefit, the Child Care Rebate and the Jobs, Education and Training Child Care Fee Assistance.

Family income ($)[1]	Maximum percentage (up to the hourly fee cap)
0 – 65,000	85
65,000 – 170,000	Between 50 and 85
170,000 – 185,000	50
185,000+	50 (with annual cap of $10,000 per child)

1 Approximate income level in 2017–18 financial year.

To be eligible for the CCS, you'll need to:

- pass an activity test;
- send your child to an approved child care service; and
- meet immunisation requirements.

The government will also spend $869 million on the Child Care Safety Net to help vulnerable and disadvantaged children.

And from 1 July 2016, a proposed Nanny Pilot Programme will help with the cost of care for around 10,000 children whose parents work shifts or live in rural and remote areas.

REMOVING 'DOUBLE DIPPING' ON PAID PARENTAL LEAVE

Proposed from 1 July 2016

You will no longer be able to receive payments from both your employer and the government's Paid Parental Leave Pay (PPLP) scheme. However, all primary carers will have access to parental leave payments that are at least equal to the maximum PPLP benefit (currently 18 weeks at the national minimum wage).

GIVING TAX BREAKS TO SMALL BUSINESSES

The government has announced a number of tax breaks for businesses with an aggregated annual turnover of less than $2 million.

- Corporate tax rate reduced from 30% to 28.5% **[proposed from 1 July 2015]**
- Unincorporated small businesses will be eligible for a 5% business income tax offset, capped at $1,000 a year. **[proposed from 1 July 2015]**
- Fringe benefits tax changes for work-related electronic devices **[proposed from 1 April 2016]**
- Capital gains tax roll-over relief for business entity restructures **[proposed from 1 July 2016]**
- Immediate tax deductions for assets under $20,000 **[from 7.30pm on 12 May 2015 until 30 June 2017]**

And new business start-ups will be allowed to immediately deduct a range of professional expenses associated with starting a new business, such as professional, legal and accounting advice.

RATIONALISING WORK-RELATED CAR EXPENSE DEDUCTIONS

Proposed from 1 July 2015

The government is rationalising the rules around work-related car expense tax deductions. This doesn't affect car leasing and salary sacrifice/fringe benefits arrangements.

INCREASING MEDICARE LEVY LOW INCOME THRESHOLDS

Proposed from 1 July 2014

For the 2014–15 year, the Medicare levy low income threshold will be indexed. For singles, the threshold will increase to $20,896 and for couples $35,261, plus $3,238 for each dependent child. For single seniors and pensioners the threshold will increase to $33,044. If your taxable income is below the relevant threshold you're not liable for the Medicare levy.

ENCOURAGING YOUNG PEOPLE INTO WORK

The government is encouraging young Australians to join the workforce by:

- funding a new Youth Employment Strategy with $330 million
- providing $18 million over four years for around 6,000 job seekers annually to undertake valuable work experience for up to four weeks while they continue to receive income support.

TIGHTENING 'PORTABILITY' RULES AROUND RECEIVING BENEFITS WHILE OVERSEAS

The government has announced changes to the overseas portability rules which will affect some age pensioners and people who receive Family Tax Benefit – Part A (FTBA).

Age Pension – Currently, Age Pension recipients who have spent less than 35 years in Australia between ages 16 and 65 begin to receive a reduced payment rate once they have been out of Australia for more than 26 weeks. This period is proposed to be reduced to 6 weeks proposed from 1 January 2017.

FTBA – Currently, FTBA recipients receive their usual rate of payment for up to 6 weeks while overseas. After this period it reverts to the base rate of payment for a further 50 weeks. Proposed from 1 January 2016, FTBA recipients will only receive payments outside of Australia for 6 weeks in a 12 month period.

RELAXING CRITERIA FOR ACCESS TO SUPER – TERMINAL MEDICAL CONDITION

Proposed from 1 July 2015

Currently, patients must have two medical practitioners (including a specialist) certify that they are likely to pass away within one year to gain unrestricted access to their superannuation. The Government will change this period to two years, giving terminally ill patients earlier access to their super.

REBALANCING PENSION ASSET TEST THRESHOLDS

Proposed from 1 Jan 2017

The government has announced changes to the assets test thresholds for the age pension.

	Full pension (Assets below) ($)	Part pension (Assets below) ($)
Single – Homeowner	250,000	547,000
Single – Non Homeowner	450,000	747,000
Couple – Homeowner	375,000	823,000
Couple – Non Homeowner	575,000	1,023,000

And for every $1,000 your pension is over the threshold, your pension will now reduce by $3.00 a fortnight – double the previous amount.

So if you own your home and you have assets of less than $289,500 (single) or $451,500 (couple), your pension may increase. But if you have more assets your pension will be reduced.

AND WHAT ISN'T CHANGING?

Some measures announced in last year's Budget will not proceed, including:

Deeming thresholds **will not be** reset to $30,000 for singles and $50,000 for pensioner couples.

Eligibility thresholds for pension payments **will not be** frozen for three years from 1 July 2017.

Pension payments **will not be** indexed by CPI from 1st September 2017. This means that pensions will continue to be indexed to the higher of the increases in the CPI, Male Total Average Weekly Earnings or the Pensioner and Beneficiary Living Cost Index.

BUDGET SNAPSHOT

How the Budget affects you will depend on your personal circumstances and where you're at in life. Here are some key callouts.

Just starting out

- Incentives to undertake work experience and join the workforce
- Increased Medicare levy low income thresholds

Working family

- Reforms to child care payments
- Nanny pilot programme for rural and remote families
- Removal of 'double dipping' on paid parental leave
- Tax cuts for small businesses
- Changes to taxation of Employee Share Schemes to make it easier for small start-ups to offer share or option plans
- Tightening of rules on work-related car expense deductions
- Changes to overseas portability rules for family tax benefit

Nearing retirement or retired

- Rebalanced pension asset test thresholds
- Relaxed criteria for access to super – terminal medical condition
- Changes to overseas portability rules for age pension

Like to know more?

To find out more about how the Budget could affect you, go to **www.budget.gov.au** or contact us.

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