



# IACR Partners Pty Ltd

Chartered Accountants  
& Financial Planners  
ABN 76 873 972 412

t: (02) 9868 8500 e: [wealth@iacr.com.au](mailto:wealth@iacr.com.au) w: [iacr.com.au](http://iacr.com.au)



# federal budget | June 2013

## PERSONAL TAXATION

### 2015 tax-free threshold increase "deferred", otherwise no changes

The Treasurer confirmed that the previously planned increase in the tax-free threshold from \$18,200 to \$19,400 from 1 July 2015 will not proceed. Instead, it will be "deferred".

Personal tax rates have otherwise remained unchanged. This means that for the 2012–2013, 2013–2014 and 2014–2015 years, the taxable income ranges and tax payable for resident individuals (excluding the Medicare levy, which is discussed below) are as follows:

Taxable income \$	Tax payable \$
0–18,200	Nil
18,201–37,000	Nil + 19% of excess over 18,200
37,001–80,000	3,572 + 32.5% of excess over 37,000
80,001–180,000	17,547 + 37% of excess over 80,000
180,001+	54,547 + 45% of excess over \$180,000

### Medicare levy to increase to 2%

The Treasurer confirmed that the Medicare levy will increase by 0.5% to 2%, with effect from 1 July 2014. This means that the effective top marginal tax rate will become 47% from that date.

Of course, not everyone pays the Medicare levy, so the increase will not affect all taxpayers.

### Medicare levy low-income threshold for families increased

The Treasurer announced that the Medicare levy low-income threshold for families will increase to \$33,693 for the 2012–2013 income year, with effect from 1 July 2012. The additional amount of threshold for each dependent child or student will also increase to \$3,094.

## Phase-out of medical expenses tax offset

The Government will phase out the net medical expenses tax offset, with transitional arrangements for those currently claiming the offset. However, the offset will continue to be available for out-of-pocket medical expenses relating to disability aids, attendant care or aged care until 1 July 2019.

The transitional measures are as follows:

- From 1 July 2013, those taxpayers who claimed the offset in 2012–2013 will continue to be eligible in 2013–2014 if they have eligible out-of-pocket medical expenses above the relevant thresholds.
- In addition, those who claim the offset in 2013–2014 will be eligible to claim it in 2014–2015.

## SOCIAL SECURITY

### Baby Bonus to be abolished and replaced

The Treasurer announced that the Government will replace the Baby Bonus from 1 March 2014 with the following arrangements:

- Family Tax Benefit Part A (FTB Part A) payments will increase by \$2,000, to be paid in the year following the birth or adoption of a first child or each child in multiple births, and \$1,000 for second or subsequent children. The additional FTB Part A will be paid as an initial payment of \$500, with the remainder paid in seven fortnightly instalments.
- Parents who take up Paid Parental Leave (PPL) will not be eligible for the additional FTB Part A component, but will benefit from improved access to PPL as their family expands. As part of this package, parents will be able to count time on Government PPL where it occurs during the work test period for a subsequent child, in the same way that employer-funded parental leave can be counted now.

## **Family payments: indexation pauses for upper income limits and supplements**

The Government will maintain the higher income thresholds for family payments and supplement amounts at their current levels for a further three years until 1 July 2017:

- The current upper income test limit of \$150,000 for Family Tax Benefit Part B (FTB Part B), the dependency tax offsets, the PPL Scheme and Dad and Partner Pay will be maintained. The FTB Part A upper income-free area will remain at \$94,316, plus an additional \$3,796 for each child after the first.
- FTB supplement amounts will also be maintained at current levels of \$726.35 per child per annum for FTB Part A and \$354.05 per family per annum for FTB Part B.

The FTB Part A lower income-free threshold (currently \$47,815) and the FTB Part B secondary earner income threshold (currently \$5,037) will continue to be indexed.

---

## **BUSINESS TAXATION**

### **Further extension of monthly pay-as-you-go (PAYG) instalments**

The Government will extend the requirement to make monthly PAYG income tax instalments to all large entities in the PAYG instalment system, including trusts, superannuation funds, sole traders and large investors.

The Government had already announced that corporate tax entities with turnover of \$20 million or more will move to monthly PAYG instalments during a phase-in period between 1 January 2014 and 1 January 2016. The Treasurer has now announced that all other entities in the PAYG instalment system:

- with turnover of \$1 billion or more will move to monthly PAYG instalments from 1 January 2016; and
- with turnover of \$20 million or more will move to monthly PAYG instalments from 1 January 2017.

---

## **TAX COMPLIANCE**

### **Preventing "dividend washing" and doubling-up of franking credits**

The Treasurer announced that the Government will close a loophole that enables sophisticated investors to engage in "dividend washing" (known as dividend double-dipping). Currently, sophisticated investors can engage in "dividend washing" to effectively trade franking credits. This can result in some shareholders

receiving two sets of franking credits for the same parcel of shares.

This is outside the intent of the dividend imputation system. The Government will consult on the development of legislation to prevent this practice.

### **CGT integrity measures for foreign residents**

The Government will make changes to the "principal asset" test in the tax law to ensure that indirect Australian real property interests are taxable if disposed of by a foreign resident. It will also apply a 10% non-final withholding tax to the disposal by foreign residents of certain taxable Australian property.

### **Funding for data-matching and trust tax compliance**

The Government will provide the ATO with:

- \$77.8 million over four years to improve compliance by Australian taxpayers by expanding data-matching with third party information; and
- \$67.9 million over four years for the ATO to undertake compliance activity in relation to trust structures. A trusts taskforce will target the exploitation of trusts to conceal income, mischaracterise transactions, artificially reduce trust income amounts and underpay tax. It will focus on taxpayers "involved in egregious tax avoidance and evasion" involving trusts.

---

## **SUPERANNUATION**

### **No further major reforms announced**

The Treasurer did not announce any new major superannuation measures in the Budget. This will be a welcome relief for the superannuation industry, which is already suffering from "reform fatigue".

Several minor superannuation measures were announced, including the announcement that the Government will cease late registrations for the Pension Bonus Scheme from 1 March 2014. All those eligible for the scheme will still have an opportunity to register before 1 March 2014 and receive the bonus.

---

## **OTHER CHANGES**

### **HELP discounts to be abolished**

The Government will remove the discounts applying to up-front and voluntary payments made under the Higher Education Loan Program (HELP) from 1 January 2014. The discounts to be removed are:

- the 10% discount available to students electing to pay their student contribution up-front; and
- the 5% bonus on voluntary payments to the ATO of \$500 or more.

**Important:** This is not advice. Clients should not act solely on the basis of the material contained in this Bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.