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CHARTERED ACCOUNTANTS

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BUDGET NEWSLETTER – MAY 2014

Budget 2015: Survival of the Fittest

As the Treasurer foreshadowed, this is a Budget of structural reform with distinct short and long term winners and losers. Much of the headline bad news was fairly accurately reported and old news by Budget night.

The most startling change in this Budget however is the level of consolidation and refocusing of public services with a huge range of small industry assistance and health programs consolidated into larger initiatives that clearly pick winners. Indexation of many Government programs has also been paused.

For many - families, pensioners and those that rely heavily on assistance and subsidies - the impact of the Budget will be evident through the co-payments that will demand a little more for each service each time and in some circumstances severe restrictions to eligibility.

For business, left untouched was the reduction in the company tax rate.

Rumour	Reality
2% debt tax on high income earners	**Yes.** Adds 2% to the top marginal tax rate for individual incomes above $180,000 from 1 July 2014.
Resumption of fuel excise levy indexation	**Yes.** Bi-annual indexation commences from 1 August 2014. Aviation fuel excluded.
Retirement age increase to 70 by 2035	**Yes.**
Including the family home in pension income and asset test	**No**. But, indexing changed.
Co-payments for visiting a doctor	**Yes.** Most people will pay $7 per visit to the doctor.
No Medicare for wealthy	**No.**
Access to family tax benefits tightened	**Yes.** Primary earner income threshold for Family Tax Benefit B slashed by a third. Plus other restrictions.
Access to unemployment benefits tightened	**Yes.**
Access to disability support scheme tightened	**Yes.** Under 35s targeted.
ABC Australia network scrapped	**Yes.** The Australia Network's contract with the ABC has been terminated (saving $196.8m over 9 years).
MP and senior public service wage freeze	**Yes.** Freeze salaries and allowances of MPs, departmental secretaries and all other public office holders for 12 months.

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Individuals – Contributing More Than Ever

For high income earners, the Budget announcements will mean that you are 'contributing', as the Treasurer says, more than ever.

Don't forget that for most taxpayers, your effective tax rate will increase from 1 July 2014 regardless of the Budget with the increase in the Medicare levy to 2%. The increase was introduced to help pay for the National Disability Support Scheme. One side effect of the increase to the Medicare Levy is an increase in the rate of Fringe Benefits Tax from 46.5% to 47% from 1 April 2014.

2% Debt Tax for High Income Earners

The debt tax, or the Temporary Budget Repair Levy as the Government has named it, increases the top marginal tax rate for individual incomes above $180,000 by 2% from 1 July 2014 for 3 years. A number of other tax rates that are currently based on calculations that include the top personal tax rate will also be increased (like family trust distribution tax and excess contributions tax).

Plus, to prevent anyone trying to use the Fringe Benefits Tax system to avoid the levy, the FBT rate will be increased from 47% to 49% from 1 April 2015 until 31 March 2017 to align with the FBT year.

The cash value of benefits received by employees of public benevolent institutions and health promotion charities, public and not-for-profit hospitals, public ambulance services and certain other tax-exempt entities will be protected by increasing the annual FBT caps. In addition, the fringe benefits rebate rate will be aligned with the FBT rate from 1 April 2015.

Be aware that if you have a one-off spike in income after 1 July 2014, for example a sale of business, the debt tax is likely to impact on this increase in personal income.

Date of effect	1 July 2014 - debt tax 1 April 2015 - FBT rate

Medicare

Medicare Levy Threshold Increased

The low-income threshold for the Medicare levy will increase to $34,367 for couples with no children and the additional amount of threshold for each dependent child or student will be increased to $3,156.

Date of effect	2013/2014 income year

Medicare Safety Net Reduced

The Budget introduces a new Medicare Safety Net. The new thresholds appear to apply from 1 January 2016:

- $400 for concessional singles and concessional families.
- $700 for non-concessional Family Tax Benefit A families and non-concessional singles.
- $1,000 for non-concessional families.

Medicare will pay 80% of any further out of pocket expenses, capped at 150% of the Medicare Benefits Schedule fee, once the threshold is reached on the expenses leading up to and beyond the safety net.

In addition, the Government has paused indexation on a number of thresholds that will increase your effective tax rate over time. These include:

- The income threshold for the Medicare Levy Surcharge for 3 years from 1 July 2015
- The income threshold for the Private Health Insurance Rebate for 3 years from 1 July 2015
- Some Medicare Benefits Schedule fees for 2 years from 1 July 2014

Tax Offsets Abolished

Mature Age Worker Tax Offset

Concluding a process started in the 2012/2013 Budget, the Mature Age Worker Tax Offset will be abolished for everyone from 1 July 2014. The original budget measure limited the offset to workers born prior to 1 July 1957.

Date of effect	1 July 2014

Dependent Spouse Tax Offset Abolished for all Taxpayers

The Dependent Spouse Tax Offset will be abolished for all taxpayers from 1 July 2014.

Previous Budgets limited the Dependent Spouse Tax Offset to those whose dependent spouse was born before 1 July 1952, effective from 1 July 2012. However, taxpayers who are eligible to receive the Zone Tax Offset, Overseas Civilians Tax Offset or Overseas Forces Tax Offset are currently exempt from the phase-out and can receive the DSTO regardless of the age of their dependent spouse. These taxpayers can also claim eight other dependency offsets. From 1 July 2014, all taxpayers will be brought under the one consolidated Dependent (Invalid and Carer) Tax Offset.

Date of effect	1 July 2014

Business

The good news for business is that the decrease in the company tax rate from 1 July 2015 is safe for now. The bad news is that there are a series of other costs to contend with.

See also *Superannuation.*

Company Tax Rate Reduction Remains

The Government will go ahead with the scheduled reduction in the company tax rate by 1.5% from 1 July 2015. For large companies, the reduction will offset the cost of the Government's Paid Parental Leave levy.

Fringe Benefits Tax Rate Increase

Tying in with the 2% debt tax (see Individuals), the Government has announced that the FBT rate will increase from 47% to 49% from 1 April 2015 until 31 March 2017 to prevent high income earners trying to avoid the levy.

The problem is if you run a business and you are not trying to avoid the debt tax, you're going to pay more in FBT regardless.

The cash value of benefits received by employees of public benevolent institutions and health promotion charities, public and not-for-profit hospitals, public ambulance services and certain other tax-exempt entities will be protected by increasing the annual FBT caps. In addition, the fringe benefits rebate rate will be aligned with the FBT rate from 1 April 2015.

Date of effect	1 April 2015

Fuel Indexation and Other Measures

As widely predicted, indexation of the fuel excise levy will resume, generating $2.2bn over the next 4 years.

Bi-annual indexation by the CPI of excise and excise-equivalent customs duty will resume again on 1 August 2014. Aviation fuels are excluded.

Date of effect	1 August 2014 for all fuels except aviation fuels

Tax Treatment of Biodiesel Change

Grants made under the Cleaner Fuels Grant Scheme will be reduced to zero and the excise on biodiesel will also be reduced to zero from 1 July 2015.

From 1 July 2016, the excise rate for biodiesel will be increased for five years until it reaches 50% of the energy content equivalent tax rate. The excise equivalent customs duty for imported biodiesel will continue to be taxed at the full energy content equivalent tax rate.

Date of effect	1 July 2015

Product Stewardship for Oil (PSO) Levy Increase

The PSO is aimed at supporting environmentally sustainable management of used oil including: the recycling of used oil, and use of the recycled product.

The levy rate will increase to 8.5 cents per litre of grease from 1 July 2014. The rate of the benefit for Category 8 oils (Category 8 benefits provide a mechanism to refund levies paid on oils that are being put to particular uses) will also be increased to ensure it continues to match the rate of the levy.

Date of effect	1 July 2014

R&D Incentives Cut Back

From 1 July 2014, the refundable and non-refundable offsets for the Research & Development Tax Incentive will be reduced by 1.5%. This means the refundable offset will be reduced to 43.5% while the non-refundable offset will be reduced to 38.5%.

Interestingly, the Government has said that reducing the R&D tax offset rates is consistent with the Government's commitment to cut the company tax rate by 1.5%. However, the reduction in the company tax rate is not meant to occur until 1 July 2015.

Businesses that are undertaking R&D activities this year may want to consider bringing forward expenditure to ensure they maximise their claims for the year ending 30 June 2014 to take advantage of the higher tax offset rates.

Date of effect	1 July 2014

Tax Changes

The Government has restated its commitment to remove the Minerals Resource Rent Tax and the associated measures, and the Carbon Tax. While the rephrasing of the superannuation guarantee rate is noted in the budget (see Superannuation) the other associated measures are not.

Unfortunately there has been no mention of the planned reduction in the immediate asset write-off rate for small business entities. The threshold was meant to be reduced from $6,500 to $1,000 from 1 January 2014 but the legislation was blocked in the Senate. We still have no certainty on when this change will take place.

As part of the Government's initiative to sort out and reduce the volume of announced but unenacted legislation, it has announced that it will not proceed with a number of other measures and amend others including:

Data Matching and Third Party Reporting

The Government will defer the start date for proposed legislative measures relating to third party reporting and data matching. The measures were originally intended to apply from 1 July 2014 but will be deferred until 1 July 2016. The expanded measures are expected to apply to taxable government grants and certain other government payments; sales of real property, shares and units in managed funds; and sales through merchant debit and credit services.

Multi-Entry Consolidated Groups

The Government will not proceed with the proposal to remove inconsistencies in the tax treatment of multiple-entry consolidated groups. Treasury however will start consultation on an amendment to extend a modified form of the unrealised loss rules to multiple-entry consolidated groups and on other measures identified by a recent review that will clarify certain aspects of the tax law in this area.

Capital Gains Tax (CGT) and Foreign Residents

Refine the 2013/2014 Budget measure that amends the principal asset test in the foreign resident CGT regime.

To prevent the double counting of assets, the measure will now apply to interests held by foreign residents in unconsolidated groups as well as in consolidated groups.

For interests held by foreign residents in unconsolidated groups, the amendment will apply to CGT events occurring on or after the date the Exposure Draft is released for public consultation.

For interests held in a consolidated group or a multiple entry consolidated group the measure will continue to have effect from 7.30pm (AEST) 14 May 2013.

Integrity Measure for Consolidated Groups

Refine the measure to clarify that accounting liabilities relating to securitised assets held by a subsidiary will be disregarded in certain situations where the subsidiary leaves a consolidated group and/or joins a consolidated group. This change will apply to arrangements that commence on or after 7.30pm on 13 May 2014. Transitional rules will apply to arrangements that commence before this time.

The double deductions measure, the churning measure and the deductible liabilities measure will be amended so that they apply to arrangements that commence on or after the date of announcement of the original measure (14 May 2013), rather than to the exit or entry of a subsidiary that takes place on or after the date of announcement.

The deductible liabilities measure will also be amended so that retirement villages' residential loan liabilities are excluded from the measure.

Managed Investment Trusts Tax System Deferral

The Government will defer the start date of the new tax system for managed investment trusts by 12 months, to 1 July 2015. The tax law will also be amended to allow managed investment trusts and other trusts treated as managed investment trusts to continue to disregard the trust streaming provisions for the 2014/205 income year.

See Media Release More progress in restoring integrity in the tax system.

Government Initiatives and Programs for Business

Incentives for Employing Workers Over 50

From 1 July 2014, a payment of up to $10,000 will be available to employers who hire a mature age job seeker (including those on the Disability Support Pension) aged 50 years or over who has been receiving income support for at least six months.

Payments will start after the worker has been employed for at least 6 months and paid in instalments:

- $3,000 after 6 months of employment;
- $3,000 after 12 months of employment;
- $2,000 after 18 months of employment; and
- $2,000 after 24 months of employment.

Date of effect	1 July 2014

Aged Care Providers Lose Payroll Tax Subsidy

The Payroll Tax Supplement payments to eligible residential aged care providers will cease from 1 January 2015.

International Tourism Incentives

The Government is providing $43.1m over 4 years to implement a new Tourism Demand Driver Infrastructure grants program.

Small Agricultural Exporters

$15m has been set aside over 4 years for small exporters in sectors where there are specific export certification registration charges. Funding will be provided in 2014/2015 to provide eligible small exporters with a 50% rebate of their export certification registration costs, up to a maximum of $5,000. From 2015/2016, funding will be provided for projects that directly benefit small exporters, particularly projects to improve market access.

Date of effect	From 2014/2015 income year

Consolidation of Support Services for Innovation

A raft of councils and support services to nurture innovation and enterprise have been abolished and replaced with the *Entrepreneurs' Infrastructure Programme* through the Department of Industry. From 1 January 2015, The *Entrepreneurs' Infrastructure Programme* will replace:

- Australian Industry Participation;
- Commercialisation Australia;
- Enterprise Solutions;
- Innovation Investment Fund;
- Industry Innovation Councils;
- Enterprise Connect;
- Industry Innovation Precincts; and
- Textile, Clothing and Footwear Small Business and Building Innovative Capability.

Date of effect	1 January 2015

Consolidation of Support Services for Industry Skills

The Industry Skills Fund (ISF) will replace a raft of skills training from 1 January 2015. The ISF will target the training needs of SMEs in health and biomedical products; mining, oil and gas equipment technology and services; and advanced manufacturing, including defence and aerospace. Business will need to make co-contributions to the cost of the skills training on a sliding scale depending on the size of the business. The ISF will replace:

- National Partnership Agreement on Training Places for Single Parents;
- Accelerated Australian Apprenticeships Programme;
- Australian Apprenticeships Mentoring Programme;
- National Workforce Development Fund;
- Workplace English Language and Literacy Programme;
- Alternative Pathways Programme;
- Apprenticeship to Business Owner Programme;
- Productive Ageing through Community Education;
- Australian Apprenticeships Access Programme; and
- Step Into Skills Programme.

Date of effect	1 January 2015

<u>Previously Announced Initiatives</u>

'Asset Recycling' Initiative - Sale of State Assets

The Government has allocated $5bn over 5 years to establish this initiative that provides "state and territory governments with incentive payments to unlock capital from state-owned assets and reinvest the proceeds in new productivity-enhancing economic infrastructure."

Participating States and Territories receive an incentive payment of 15% of the sale price of the asset.

See the media release *<u>Treasurers agree to boost infrastructure</u>*.

Fund for Small Minerals Companies

As mentioned in the Government's election policy material, $100m is being provided over 3 years towards an Exploration Development Incentive (EDI). The EDI is targeted to small mineral exploration companies with no taxable income to provide exploration credits, paid as a refundable tax offset, to their Australian resident shareholders for greenfields mineral exploration.

Date of effect	From 2014/2015 income year

Growth Fund for VIC and SA to Replace Motor Vehicle Industry

As previously announced, the $155m growth fund supports a range of programs designed to fill the gap created by the announcements by Toyota and Holden that they will stop manufacturing in Australia. A third of the funding is provided by the States - with Toyota and Holden funding reskilling programs for workers.

See the 30 April 2014 Media Release *<u>$155m fund to grow the jobs of tomorrow</u>*.

<u>Superannuation</u>

<u>Super Guarantee Rate Increase Rephasing</u>

Some clarity at last on what is happening with the superannuation guarantee (SG) rate. The previous Government introduced changes to the superannuation guarantee rate to bring it up to 12% by 1 July 2019 funded by the mining tax (Minerals Resource Rent Tax). The current Government then sought to slow down the increase when it tried to repeal the mining tax. But, the repeal of the mining tax is stuck in the Senate leaving everyone in limbo about the Government's intentions for the SG rate.

The way it will work is that the SG rate will increase from 9.25% to 9.5% from 1 July 2014. The SG rate will remain at 9.5% until 30 June 2018 and then increase by 0.5% each year until it reaches 12%.

Year	Superannuation guarantee charge %
1 July 2013 - 30 June 2014	9.25%
1 July 2014 - 30 June 2018	9.5%
1 July 2018 - 30 June 2019	10%
1 July 2019 - 30 June 2020	10.5%
1 July 2020 - 30 June 2021	11%
1 July 2021 - 30 June 2022	11.5%
1 July 2022 onwards	12%

<u>Managing Excess Contributions</u>

As previously announced by the Government, for any excess contributions made after 1 July 2013 which breach the non-concessional contributions cap, the Government will allow individuals to withdraw those excess contributions and associated earnings.

If an individual chooses this option, no excess contributions tax will be payable and any related earnings will be taxed at the individual's marginal tax rate.

Individuals who leave their excess contributions in the fund will continue to be taxed on these contributions at the top marginal rate.

Final details will be released following consultation.

Date of effect	1 July 2013

See also Media Release Superannuation excess contributions tax.

Health

$7 Fee for Going to the Doctor

A patient contribution of $7 will apply for visiting a doctor.

Concession card holders and children under 16 will not pay the fee until they reach 10 visits in a year.

$5 of the $7 fee for will go into the Medical Research Future Fund (see below). The fund will provide an ongoing funding stream for medical research.

It works like this: From 1 July 2015, the Medicare Benefits Schedule (MBS) rebates will be reduced by $5 for standard general practitioner consultations and out-of-hospital pathology and diagnostic imaging services and the providers of these services will be able to collect a patient contribution of $7 per service.

For patients with concession cards and children under 16 years of age the MBS rebate will only be reduced for the first 10 services in each year, after which it will return to current benefit levels. A new Low Gap Incentive will replace bulk billing incentives for providers of these services. The Low Gap Incentive will be paid to providers where they provide services to patients with concession cards or children under 16 years of age and only charge the $7 patient contribution - for the first 10 services in a year, or where they charge no patient contribution - for additional services in that year.

Date of effect	1 July 2015

Pharmaceutical Benefits Scheme (PBS)

The level of co-payments for medicines on the PBS will increase from 1 January 2015:

- General payments - Co-payments will increase by $5 to $42.70 (from $37.70); and
- Concession patients - Co-payments will increase by 8o cents to $6.90 (from $6.10).

The PBS safety net threshold will also increase from 1 January 2015.

- General safety net threshold – increase by 10% each year for 4 years; and
- Concessional safety net threshold – increase by “the cost of two prescriptions each year.”

It’s important to note that these increases are **in addition to** the existing annual indexation for co-payments and the safety net thresholds.

Medical Research Future Fund

The Medical Research Future Fund (MRFF) will provide a sustained funding stream for medical research, with payments from the MRFF expected to reach around $1.0 billion per year from 2022/2023.

The Government will provide $276.2 million over three years from 1 July 2015 in net earnings from the MRFF to fund critical medical research in the medium to long term.

Date of effect	1 January 2015 MRFF 1 July 2015 funding

Access to Social Services Tightened

Anyone accessing Government support and assistance is likely to feel the impact of the Budget's tightening of access and eligibility.

In addition, eligibility thresholds themselves will be frozen saving the Government $1.5bn over 4 years. Eligibility thresholds for non-pension payments will be maintained for 3 years from 1 July 2014. Major non-pension payments include Family Tax Benefit, Child Care Benefit, Child Care Rebate, Newstart Allowance, Parenting Payments and Youth Allowance.

Eligibility thresholds for pension and pension related payments will be maintained for 3 years from 1 July 2017. Major pension related payments include the Aged Pension, Carer Payment, Disability Support Pension and the Veterans' Service Pension.

Families

In general, Family Tax Benefit payments will reduce in value with payment rates frozen at 1 July 2014 levels for the next two years.

Plus, the end of year supplements will be returned to their original values and indexation ceased. The revised supplements provide $600 per annum per Family Tax Benefit A child and $300 per family per annum for each Family Tax Benefit B family.

Access to Family Tax Benefit B Tightened

The Family Tax Benefit B (FTBB) primary earner income limit will be reduced from $150,000 per annum to $100,000 from 1 July 2015.

The income threshold for the Dependent (Invalid and Carer) Tax Offset will also be reduced to $100,000.

Plus, access to FTBB will be restricted to families whose youngest child is younger than 6 years of age from 1 July 2015. To manage the transition, families with a youngest child aged 6 and over on 30 June 2015 will continue to be eligible for FTBB for 2 years.

Although for single parents, there is a small reprieve from the age based restrictions on FTBB. Single parents on the maximum rate of Family Tax Benefit A (FTBA), at the point at which their youngest child turns 6 and they become ineligible for FTBB, they can access a new allowance of $750 per child aged between 6 and 12 years of age.

Date of effect	1 July 2015

Family Tax Benefit A (FTBA) Add-On Removed for Additional Children

The Government will remove the FTBA per child add-on to the higher income free threshold for each additional child from 1 July 2015.

Date of effect	1 July 2015

Large Family Supplement Restricted

The Family Tax Benefit Part A Large Family Supplement available to families with 4 or more children will be cut. While the supplement will remain in place the nature of the payment will change. Instead of an annual payment of $313.90 per child, the supplement will only be paid on the fourth and subsequent child.

Date of effect	1 July 2015

New Family Tax Benefit Allowance

A new allowance will be provided for single parents on the maximum rate of Family Tax Benefit Part A whose youngest child is aged between six and 12 years old from the point when they become ineligible for FTB Part B. From 1 July 2015 the allowance will provide $750 per child aged between six and 12.

Date of effect	1 July 2015

First Home Saver Accounts Scheme Scrapped

The First Home Saver Accounts scheme has been scrapped. New accounts opened from Budget night will not be eligible for the concession with the Government co-contribution to cease from 1 July 2014 and tax concessions and the income and asset test exemptions for government benefits associated with these accounts to cease from 1 July 2015.

Pensioners and Seniors

Age Pension Qualifying Age Increased to 70

From 1 July 2025, the Age Pension qualifying age will continue to rise by six months every two years, from the qualifying age of 67 years that will apply by that time, to gradually reach a qualifying age of 70 years by 1 July 2035.

Date of effect	1 July 2025

Change to How Pensions Indexed

The way the Government indexes pensions and pension equivalent payments will change to link increases to the CPI.

The change in indexing method will mean that pensions will not grow at the same rate as they would under previous indexing methods as the Government expects savings of $449m over 5 years.

Currently, these payments are indexed in line with the higher of the increases in the CPI, Male Total Average Weekly Earnings or the Pensioner and Beneficiary Living Cost Index.

Date of effect	1 July 2014 for Parenting Payment Single recipients
	1 September 2017 for recipients of the Bereavement Allowance and pension payments such as the Age Pension, Disability Support Pension, Carer Payment and Veterans' Affairs pensions

Seniors Health Card Indexed and Eligibility Tightened

The income limits for the Commonwealth Seniors Health Card will be indexed by the CPI from September 2014.

But, eligibility for the health card will be restricted by the inclusion of untaxed superannuation income in the eligibility test from 1 January 2015. All superannuation account-based income streams held by health care card holders before 1 January 2015 will be grandfathered under the existing rules.

The Seniors Supplement for health care card holders will be abolished from 20 September 2014. Eligible seniors who do not receive a pension will continue to be eligible for a concession card.

Date of effect	1 July 2015

Job Seekers

Learn or Earn With 6 Month Wait for Dole

From 1 January 2015, all new Newstart Allowance and Youth Allowance (Other) claimants who are under 30 years of age must demonstrate appropriate job search and participation in employment services support for 6 months before receiving payments. Prior workforce participation may reduce the waiting period. After 6 months, claimants will be required to participate in 25 hours per week Work for the Dole to receive income support, and following this may continue to access employment services for a further six month period, including access to a wage subsidy in lieu of income support.

From 1 July 2015, existing recipients of the Newstart Allowance and Youth Allowance (Other) who are under 30 years of age will also be subject to these new arrangements. These people will have already served six months on Work for the Dole.

Those who have a partial capacity to work, are the principal carer of a child, are part-time apprentices, are in education or are job seekers in Disability Employment Services or Job Services Australia Streams 3 and 4 will be exempt.

Date of effect	1 January 2015 for all new claimants 1 July 2015 for existing recipients

Deterrents for Refusing Work

From 15 September 2014, all job seekers who refuse any work without a good reason will lose their payment for 8 weeks and will no longer be able to waive their penalty through participation in additional activities or due to financial hardship. The 8 week non-payment period will also apply to all job seekers who incur penalties for persistent non-compliance. Job seekers will only be given one opportunity to waive the penalty for persistent non-compliance while in receipt of an income support payment.

Access to Disability Support Pension Tightened and Restricted

A range of assessments and restrictions will be introduced for those under the age of 35 on a disability support pension (DSP). These include:

- Compulsory work activities for all those assessed as having a work capacity of 8 hours or more per week. Sanctions will be imposed for non-compliance.
- Compulsory assessment of those granted DSP between 1 January 2008 and 31 December 2011.

Plus, the time spent overseas by all disability support pension recipients will be restricted to a maximum of 4 weeks in a 12 month period (previously 6 weeks). The new rules apply from 1 January 2015.

Education

Universities Able to Set Their Own Fees

The cost of tertiary education will go up with Universities and other educational providers able to provide their own fee structure (or 'contribution' structure as they call it).

The current caps on student contributions that higher education providers are able to charge will be removed from 1 January 2016 for students who accept an offer to commence a course from 14 May 2014. Higher education providers will be responsible for setting their own course fees. In line with this change, the Government is cutting back funding through the Commonwealth Grant Scheme for higher education courses at diploma, advanced diploma, associate degree and bachelor degree level (where the higher education provider is registered with the Tertiary Education Quality and Standards Agency and the course has been accredited).

Date of effect	From 14 May 2014 for 1 January 2016

In addition, the Government will reduce research training scheme funding from 1 January 2016 and allow higher education providers to charge student contributions for higher degrees by research (including doctoral and masters degrees).

Removing the Loan Fee for FEE-HELP

The Government will remove the 25% loan fee applied to FEE-HELP loans for fee-paying undergraduate courses and 20% loan fee applied to VET FEE-HELP loans for eligible full fee-paying students in higher level vocational education and training courses.

Changes to Student Loan Programs

The HECS-HELP benefit that was intended to provide an incentive for graduates of particular courses to take up related occupations or work in specified locations will end from 2015/2016.

Date of effect	From 2015/2016

While the Higher Education Loan Programme (HELP) will continue, the income threshold for payment of HELP debts commencing in 2016/2017 will reduce. A new minimum threshold will be established for the repayment of HELP debts, set at 90% of the minimum threshold that would otherwise have applied in 2016/2017. The new minimum threshold is currently estimated to be $50,638 in 2016/2017. A new repayment rate of 2% of repayment income will be applied to debtors with incomes above the new minimum threshold.

Plus, annual indexation applied to HELP debts will be adjusted from the CPI to a rate equivalent to the yields on 10 year bonds issued by the Australian Government, capped at 6.0% per annum, from 1 June 2016.

Date of effect	From 2016/2017

Trade Support Loans

The Trade Support Loans Programme provides loans to apprentices undertaking a Certificate III or IV qualification that leads to an occupation on the National Skills Needs List. The loans will be provided at concessional interest rates and capped at $8,000 in the first year of the apprenticeship, $6,000 in the second, $4,000 in the third and $2,000 in the fourth. Tradies will need to start repaying loans once their income exceeds $53,345 in 2014/2015.

The Government has also flagged that it is considering letting the private sector administer the loans from 2015/2016.

Date of effect	2013/2014

Government

Reducing the Size of Government

In addition to freezing wages, the Government has put in place a wide reaching program to reduce the size of Government over the next four years.

A number of changes are also scheduled to complete by 1 July 2015. These include:

Merging by 1 July 2015	Abolished by 1 July 2015
• ComSuper with the Commonwealth Superannuation Corporation • National Blood Authority with the Australian Organ and Tissue Donation and Transplantation Authority • Private Health Insurance Ombudsman into the Office of the Commonwealth Ombudsman • All of the Commonwealth merits review tribunals with the exception of the Veterans Review Board	• Private Health Insurance Administration Council • Corporations and Markets Advisory Committee (CAMAC) and the CAMAC Legal Committee • Albury-Wodonga Development Corporation • Australian River Company Ltd

A raft of committees within the agricultural portfolio have also been rationalised.

In addition to this, a number of government departments and authorities have had their funding slashed or initiatives deferred including ASIC ($120.1m slashed over 4 years), the Australian Taxation Office ($142.8m over 3 years) and the CSIRO.

Plus, as previously announced, Medibank Private Limited will be sold with $90m provided to help with the sale.

Reducing Emissions

As previously announced, the Government has set aside $2.55bn to establish the *Emissions Reduction Fund* to provide incentives to help Australia reach its target of reducing emissions to 5% below year 2000 levels by the year 2020.

The Clean Energy Regulator will conduct auctions to purchase, at the lowest cost, emissions reductions that are additional to normal business practice.

Date of effect	1 July 2014

Fair Entitlements Guarantee (FEG) Redundancy Payments Scaled Back

The FEG covers certain unpaid employee entitlements in the event of insolvency or bankruptcy.
Redundancy payments under the FEG scheme will be aligned to the National Employment Standards (NES) in the Fair Work Act. From 1 January 2015, the maximum payment for redundancy pay under the scheme will be 16 weeks.

From 1 July 2014, indexation of the Maximum Weekly Wage used in calculating entitlements for claimants earning above the Maximum Weekly Wage of $2,451, will be paused until 30 June 2018.

The changes will apply only to liquidations and bankruptcies that occur on or after the commencement date.

Other

Infrastructure Spending

The indexation of fuel excise is being spent on a wide array of infrastructure projects.

New investments include:

- $1 billion for East-West Link Stage 2 in Melbourne, which combines with a further $500 million being provided for the project from existing Infrastructure Investment Programme funding, for a total $1.5 billion investment to 2018/2019;
- $866 million for the Perth Freight Link in Western Australia, taking the total Federal investment in the project to $925 million;
- The Toowoomba Second Range Crossing in Queensland;
- The North-South Road Corridor in Adelaide;
- Northern Territory road upgrades;
- $229 million for a National Highway Upgrade Programme;
- Additional funding of $200 million for the Black Spot Programme; and
- Additional funding of $350 million for the Roads to Recovery Programme.

Other investments include:

- $2bn loan to speed up Stage 2 of the WestConnex project in Sydney;
- $2.9bn over 10 years towards roads on the Western Sydney infrastructure plan ; and
- $77.8m to establish a Western Sydney Infrastructure unit to manage the development of the second airport at Badgery's Creek.

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CHARTERED ACCOUNTANTS

National Rental Affordability Scheme to be Discontinued

The Government will not proceed with Round 5 of the National Rental Affordability Scheme. Funding for tenanted NRAS properties will not be affected.

Insurance Support in North Queensland

The Government has provided $12.5m over 3 years to the Queensland Government to provide grants to bodies corporate to undertake engineering assessments of strata-title properties in North Queensland. The assessments are to identify risks that can be mitigated.

There is also a website being established by the Department of Treasury to develop an insurance comparison website on strata-title and home building and contents insurance offerings in North Queensland.

The Economy in Brief

- GDP expected to be below trend at 2.5% in 2014/2015 before accelerating to 3% in 2015/2016.
- Nominal GDP weak at 3% in 2014/2015 growing to 4.5% in 2015/2016.
- Unemployment rate set to rise from 6% in 2013/2014 to 6.25% in 2014/2015.
- Surplus of over 1% of GDP projected by 2024/2025.
- Underlying cash deficit expected to be $29.8bn in 2014/2015 falling to $2.8bn in 2017/2018.
- Size of Government reduced with the ratio of payments to GDP falling from 25.9% in 2013/2014 to 24.8% in 2017/2018.

Links

The budget – Budget 2014/2015 – www.budget.gov.au/2014-15/index.htm.

Treasurer's speech – www.budget.gov.au/2014-15/content/speech/html/speech.htm.

Treasurer's media release - The 2014-15 Budget – http://jbh.ministers.treasury.gov.au/media-release/021-2014.

Small business **-** Small business to get the same protections as consumers – www.bfb.ministers.treasury.gov.au/media-release/027-2014/.

Business – Treasury - Multiple entry consolidated groups – review – www.treasury.gov.au/publicationsandmedia/publications/2014/multiple-entry.

Government - New Australian Government office for NSW Central Coast – www.jbh.ministers.treasury.gov.au/media-release/022-2014/.

The economy:

Portfolio Budget Statements 2014-2015 –
www.treasury.gov.au/publicationsandmedia/publications/2014/pbs-201415.
Long-run forecasts of Australia's terms of trade – working paper –
www.treasury.gov.au/publicationsandmedia/publications/2014/long-run-forecasts-of-australias-terms-of-trade.