BSA PARTNERSHIP

TAXWISE NEWS

JUNE 2014 ISSUE

IN THIS ISSUE

BUSINESS NEWS

The end of the financial year is coming!

The end of the financial year is coming and it's time to start thinking about your 2014 Income Tax Return. Now is a good time to start reviewing certain assets and liabilities owned by your business and consider if there is anything you should do prior to 30 June 2014 rolling around.

- Are there any repairs and maintenance you should carry out prior to 30 June 2014 so you can claim the deduction in your 2014 return?
- Are there any bad debts to write off out of your receivables?
- Are there any recently announced measures in the May 2014-15 Budget you should talk to your tax adviser about?
- If you have an outstanding investment loan, see if you can prepay some of the interest prior to 30 June 2014 (you will need to speak to your lender.)
- Are there purchases or disposals of assets you should make prior to the next financial year starting?
- Review your depreciable assets (capital allowances) register and write-off or dispose of any assets no longer used eg assets used in your business such as computer equipment, office furniture (eg desks and chairs) and kitchen appliances.

It is also a good time to review things that you think about at the time you put them in place but don't otherwise turn your mind to – for example, see if you have the right mix of debt and equity funding for your business to carry you through to the next financial year.

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To do!

Your tax adviser is the best person to help you with these decisions as your tax adviser knows your business and has experience with other businesses similar to yours, they are able to offer you sound advice about how to best prepare your business for the start of the 2014-15 financial year.

Changes to measures that were to be funded by the mining tax

In previous editions of *TaxWise,* we mentioned that, as part of its pre-election promises, the Coalition would abolish the mining tax. The abolition of this tax also involves the wind-back of certain other measures including:

- The instant asset write-off amount of $6,500 for small businesses – from 1 January 2014, the instant asset write-off will be reduced back to $1,000;
- The accelerated deprecation for motor vehicles that is available to small businesses – from 1 January 2014, this will no longer be available; and
- The loss carry-back measure – this measure will only apply for the 2013 income year.

Note!

The ATO has offered the following guidance for taxpayers who have relied on these measures:

- *The instant asset write-off amount of $6,500 for small businesses* - Taxpayers, including those who use early balancing substituted accounting periods, who lodge a tax return for the 2013-14 income year can self-assess under the existing law. Once the law is enacted, the taxpayer will need to seek an amendment to apply the new law. No tax shortfall penalties will apply and if the amendment is sought within a reasonable time, we will remit any shortfall interest attributable to the amendment to nil. Otherwise the shortfall interest will run from the date the change becomes law.
- *The accelerated deprecation for motor vehicles that is available to small businesses*- as above for the instant asset write-off.
- *The loss carry-back measure* - Taxpayers, including those who use early balancing substituted accounting periods, who lodge a company tax return for the 2013-14 income year can self-assess under the existing law. Once the law is enacted, the ATO will amend the company tax return to disallow the claim for the loss carry-back tax offset for the 2013-14 income year. This will result in an increase in the taxpayer's tax liability. No tax shortfall penalties will apply and any interest attributable to the shortfall will be remitted to nil. There is further information on the ATO website.

Rescheduling the increase in superannuation guarantee rate

The scheduled increase to the superannuation guarantee rate is changing and will no longer be paused at 9.25% for another two years. Per the announcement made in the 2014-15 Budget, it will increase to 9.5% from 1 July 2014, will pause at this level until 30 June 2018 and will then start to rise by 0.5% reaching 12% in the 2022-23 income year, one year later than previously proposed. See the following table:

Year	Superannuation guarantee rate
From 1 July 2013	9.25%
From 1 July 2014	9.5%
From 1 July 2015	9.5%
From 1 July 2016	9.5%
From 1 July 2017	9.5%
From 1 July 2018	10%
From 1 July 2019	10.5%
From 1 July 2020	11%
From 1 July 2021	11.5%
From 1 July 2022	12%

However, at the time of writing, this was not yet law.

Fringe Benefits Tax

Lodgement of FBT Returns

The 2014 FBT year ended on 31 March 2014. The due date for lodgement of your FBT return is 25 June 2014 if you are lodging your FBT return electronically through your tax agent. If you are not using your tax agent to lodge your FBT return or you are and are lodging using the paper form, the due date for your return was 21 May 2014.

To be able to lodge your return by 25 June 2014, you must have appointed your tax agent to lodge your FBT return on your behalf by 21 May 2014. (This was previously 4 June 2014.)

Regardless of whether you are lodging your FBT return by paper or electronically, the due date for payment has not changed, and remains as 28 May 2014.

Self-assessed deferral requests for FBT returns are no longer available. However your tax agent can lodge a request for additional time to lodge where there are exceptional or unforeseen circumstances that prevent lodgement by the due date. Be sure to include sufficient information for the request to be considered.

> ***To Do!***
>
> *If you have missed out on being able to access the later lodgement date available if you lodge your FBT return electronically through a tax agent, be sure to appoint your tax agent to look after your FBT matters for 2015.*

Car parking threshold for FBT year commencing 1 April 2014 - TD 2014/11

On 14 May 2014 the ATO released the car parking threshold for the fringe benefits tax year commencing on 1 April 2014. The threshold is $8.26. This replaces the amount of $8.03 that applied in the previous year commencing 1 April 2013: TD 2014/11 "Fringe benefits tax: for the purposes of section 39A of the Fringe Benefits Tax Assessment Act 1986 what is the car parking threshold for the fringe benefits tax year commencing on 1 April 2014?"

FBT: reasonable amounts for LAFHA food and drink expenses - TD 2014/9

On 16 April 2014, the ATO issued Taxation Determination TD 2014/9 entitled "Fringe benefits tax: reasonable amounts under section 31G of the Fringe Benefits Tax Assessment Act 1986 for food and drink expenses incurred by employees receiving a living-away-from-home allowance fringe benefit for the fringe benefits tax year commencing on 1 April 2014."

> ***Note!***
>
> *If you provide either of these types of benefits to your employees, make sure you are aware of the new amounts that apply to the 2015 FBT year.*

Farm Management Deposits

Some changes are being made to the farm management deposits (FMD) scheme that taxpayers who rely on the scheme should be aware of. These include:

- allowing taxpayers to consolidate multiple FMDs that they might hold with different providers;
- raising the non-primary production income threshold; and
- limiting the rules in the Banking Act for unclaimed moneys to prevent them applying to FMDs.

The increase in the non-primary income threshold and the changes to allow taxpayers to consolidate FMDs apply to income years commencing on or after 1 July 2014.

Superannuation

ATO reviews approach to SMSFs as industry takes off

In media release No 2014/06, issued 19 February 2014, it is noted that nearly one million Australia have chosen to take control of their superannuation future as the popularity of self-managed super funds (SMSFs) continues to grow.

ATO Deputy Commissioner Superannuation, Alison Lendon, said in light of the sector's growth, the ATO is committed to improving the services it provides to SMSF fund managers and trustees.

"With the popularity of SMSFs continuing to grow, we want to work with trustees and their advisors to improve compliance and make sure they are prepared for several regulatory changes that will be rolled out over the next year."

If the legislation is adopted, administrative penalties will apply to breaches of super law from 1 July 2014. This means SMSF trustees will be personally liable for penalties between $850 and $10,200 depending on the provision contravened.

"SMSF trustees should rectify any contraventions as soon as possible or they may face a penalty. In some cases these changes will impact the way SMSFs operate so for the ATO our focus will continue to be on education and support to ensure trustees understand the rules," Deputy Commissioner Lendon said.

If you have an SMSF, be mindful of the ATO's focus on these entities. If you have any concerns with your SMSF, speak to your tax adviser.

SuperStream changes for SMSFs

If you are an employer and deposit superannuation contributions for your employees into their SMSFs, you should note the following.

In media article No 2014/03, issued 19 February 2014, the ATO said it is calling on self-managed superannuation fund (SMSF) trustees to be aware of changes to the way they receive super contributions. Starting from 1 July 2014, SMSFs will be required to receive contributions electronically from employers.

Employers with less than 20 employees have another year to make this change so SMSFs should check with their employers about their start date.

To assist employers, SMSF trustees will need to obtain an electronic service address for the delivery of contribution messages. SMSFs will then need to provide their ABN, bank account details and electronic service addresses to their employer by 31 May 2014.

Changes to guidance from the ATO about the CGT small business concessions

Tax Determination TD 2007/14 contains guidance around what liabilities are included when calculating the 'net value of CGT assets' for the purpose of the small business concessions. In April this year, some amendments were made to the TD picking up some changes made to the law in 2007 that:

- allow a negative net value of the CGT assets of an entity to be calculated; and
- allow the following provisions to be taken into account in determining the net value of the CGT assets of an entity:

    1. provisions for long service leave;
    2. provisions for annual leave;
    3. provisions for unearned income; and
    4. provisions for tax liabilities.

These changes apply to CGT events happening in the 2006-07 income year or later income years.

A separate amendment to TD 2007/14 picks up some other changes made in 2007 that affect Division 152 that:

- increased the maximum net asset value test threshold in s 152-15 of ITAA 1997 from $5 million to $6 million;
- replaced the term 'small business CGT affiliate' with 'affiliate', moved its definition from s 152-25 of ITAA 1997 to s 328-130 of ITAA 1997 and changed its meaning in some respects; and
- enacted the small business entity ($2 million turnover) test as an alternative to the maximum net asset value test as a means of qualifying for the small business capital gains tax concessions.

These changes apply to CGT events happening in the 2007-08 income year or later income years.

A further amendment has also been made to TD 2007/14 to include the Commissioner's view of the implications of the Full Federal Court decision of *FCT v Byrne Hotels Qld Pty Ltd* [2011] FCAFC 127 in relation to 'contingent liabilities' for the purpose of calculating 'net value of CGT assets' and in particular, that contingent liabilities are generally within the meaning of 'liabilities'.

> ***Tip!***
>
> If you are trying to see if you are eligible for any of the small business CGT concessions and are wondering whether these changes affect you, seek advice from your professional tax adviser who is best able to assist you with this as the rules are complex and they will be able to help you navigate them.

What's new from the ATO

There is lots of news from the ATO that small business taxpayers should be aware of – see below for what might be relevant to you and your business.

1. Standard Business Reporting

The ATO says that Standard Business Reporting (SBR) is a quicker and simpler way to prepare and lodge reports to government – including the ATO – directly from business software. The ATO sees this whole-of-government approach using common computer language as the future of electronic service delivery. So businesses will start to need to prepare themselves for this new system.

For more information and to access an ATO video on SBR, go to the ATO website.

2. Business Communicator

The April 2014 edition of the ATO's *Business Communicator* contains news and updates for businesses with an annual turnover between $2 million and $250 million. These include articles on the offshore voluntary disclosure initiative; common R&D mistakes; payments of refunds of overpaid GST; new rules about communicating with the ATO; the ATO and social media; streamlining superannuation contributions; and updating your business registration details.

3. Project DO IT: ATO says "Disclose offshore income and assets now"

There is a new ATO initiative that all taxpayers with offshore income should be aware of: Project DO IT.

This initiative is about the ATO urging all taxpayers with offshore assets to declare their interests, ahead of a global crackdown on international tax havens.

The ATO says that if clients of tax agents have offshore income or assets, now is the time for them to review their overseas financial activities and make sure their tax is in order.

The recently announced "[Project DO IT: disclose offshore income today"](Project DO IT: disclose offshore income today) initiative provides clients with an opportunity to make a voluntary disclosure in return for reduced penalties and other incentives, but is only available until 19 December 2014.

Under Project DO IT, people disclosing their offshore assets will generally only be assessed for the last four years, be liable for a maximum shortfall penalty of just 10% and full shortfall interest charges, and will not be investigated by the ATO or referred for criminal investigation on the basis of their disclosures.

4. ATO contacting businesses with overdue 2012-13 Taxable payments annual reports

The ATO has been contacting businesses in the building and construction industry who have not yet lodged their 2012-13 Taxable payments annual reports. Businesses may have been contacted by phone or letter. To ensure your compliance obligations are met, see your tax adviser to check whether you should have prepared one of these reports for your 2013 return.

5. Reminder to businesses in the building and construction industry for 2013-14 reports

In May 2014, the ATO sent letters to businesses in the building and construction industry that may be paying contractors, to remind them to lodge their 2013–14 *Taxable payments annual report* by 21 July 2014. The letter was generally be sent to their business addresses.

The ATO should have also alerted tax agents if their clients were going to be sent the letter.

If you did receive one of these letters, it is best to first contact your tax agent to work out whether you need to prepare one of these reports.

6. Stopping paper activity statements

The ATO says it understands that many businesses use electronic channels to manage their day to day interactions and record keeping.

From 1 July 2014, the ATO advises that it will no longer send paper activity statements out for the majority of taxpayers whose activity statements are lodged electronically. The ATO will continue to send paper activity statements for certain form types only that cannot currently be sent electronically.

Transitioning activity statements to be fully electronic is one of the steps the ATO is taking to keep pace with community expectations as more and more business is done electronically.

7. Receiving your payment instalment by email

The ATO is running a pilot to issue emails when tax agents or their clients phone the ATO to make a payment plan. The ATO will soon offer the option to receive the first instalment amount and due date by email.

The email pilot will consist of approximately 1,000 participants including individuals, businesses and tax practitioners.

Should you become involved in this pilot, it is best to let your tax agent know so that they can keep an eye on things.

8. ATO's Facilitation Process

The ATO is looking for ways to improve the way it resolves disputes with taxpayers.

In 2013, the ATO conducted a trial of a new dispute resolution process, "facilitation", in smaller and less complex indirect tax objections. The process used ATO officers as facilitators in meetings between taxpayers /their agents and ATO case officers responsible for the dispute. The ATO facilitators who assisted the parties to identify and review options to resolve disputes had not been involved in the dispute.

After a review of the results of the pilot, the use of facilitation has now been extended to a range of disputes including less complex disputes arising from indirect tax, small business and individual audits and objections. If you find yourself being audited by the ATO, know that this facilitation process might well be available to you to help quickly resolve the matter.

9. Lodging a PAYG withholding variation

The PAYG withholding variation application (e-variation) for 2014-15 is now available to use. The ATO says that lodging an e-variation via the internet will allow faster processing, and most e-variations are processed within 14 days.

More information about varying the rate or amount of PAYG tax withheld from payments to taxpayers for the year ending 30 June 2015, and lodging PAYG withholding variation applications can be found on the ATO website. However, if you do wish to vary your PAYG withholding amount, it is best to consult your tax adviser first to help you work out the right amount for you.

10. Records that are needed to claim CGT concessions for small business

If you are planning on claiming any of the capital gains tax (CGT) concessions for small business, you must keep relevant records including:

- the market value of relevant assets just before the CGT event (to show eligibility for the $6 million maximum net asset value test);
- carrying on a business, including calculation of turnover (to show eligibility for the small business entity test);
- how any capital losses have been calculated and carried forward to later years;
- relevant trust deeds, trust minutes, company constitution and any other relevant documents.

To make sure you have kept the right information for this and any other concessions you claim, see your tax adviser.

11. Information for primary producers

The ATO has published the following documents relevant to primary producers:

- Abnormal income and primary production trusts
- Landcare operations
- Water facilities.

If you have a primary production business, this information might be relevant for you.

The ATO App for Small Businesses

The ATO has developed an app for small businesses. This app might be useful to assist you with your interactions with the ATO. If you are interested in finding out more about the app, more information can be found on the ATO website.

BUDGET NEWS

The 2014-15 Federal Budget

The 2014-15 Federal Budget was handed down on 13 May 2014. This Budget is intended to reduce the deficit from the current level of $49.9 billion to $29.8 billion. The Treasurer, the Hon. Joe Hockey MP, stated that the budget is about the "national interest" and that there is no easy way to repair the Budget.

The main focus of the Budget is on the expenditure side, which is only half of the equation; the other half of the equation being about revenue.

Some sectors of society will be affected by the measures proposed in the Budget more than others. The main measures likely to affect you are outlined below. To ensure you know precisely how you may be affected by one or more of these measures, you should consult your tax adviser.

Budget measures affecting individuals and families

Temporary Budget Repair Levy

Over the next three years, starting from 1 July 2014 and ending on 30 June 2017, individuals who have a taxable income greater than $180,000 will have to pay the budget repair levy of 2%.

This levy will flow through and affect a number of other tax rates that factor in the top personal marginal tax rate for the same three year period.
The fringe benefits tax rate will also be increased from 47% to 49% from 1 April 2015 until 31 March 2017 to ensure that high income earners are not able to avoid the levy by utilising fringe benefits.
** *Other FBT changes*
If you receive fringe benefits, you should also note that 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.

Dependent spouse tax offset to be abolished

From 1 July 2014, the dependent spouse tax offset (DSTO) will be abolished for all taxpayers.

From 1 July 2012, access to the DSTO was limited to individuals with spouses born before 1 July 1952. Taxpayers who were eligible for the Zone Tax Offset, Overseas Civilians Tax Offset or Overseas Forces Tax Offset were exempt from the phase-out and can currently receive the DSTO regardless of the age of their dependent spouse. These taxpayers are also eligible to claim eight other dependency tax offsets that were consolidated into a single, streamlined and non-refundable offset, the Dependent (Invalid and Carer) Tax Offset (DICTO). The offsets that were consolidated are the invalid spouse, carer spouse, housekeeper, housekeeper (with child), child-housekeeper, child-housekeeper (with child), invalid relative and parent/parent-in-law tax offsets.

From 1 July 2014, the eight dependency tax offsets will be replaced with the DICTO for individuals eligible for the Zone Tax Offset, Overseas Civilians Tax Offset or Overseas Forces Tax Offset

Taxpayers with a dependant who is genuinely unable to work due to a carer obligation or a disability may be eligible for the DICTO.

Mature age worker tax offset abolished

The mature age worker tax offset (MAWTO) will be abolished from 1 July 2014.

The reason for this change is that the government considers that encouraging mature age workers to participate in the workforce can be achieved more effectively through direct payments or incentives.

The mature age worker tax offset (MAWTO) began to be phased out from 1 July 2012 for taxpayers born on or after 1 July 1957. This did not affect any person who received MAWTO. Access to the MAWTO was maintained for taxpayers who were aged 55 years or older in the 2011-12 income year.

Savings from this measure will be redirected to the government's expanded seniors employment incentive payment called Restart to support mature age job seekers in re-entering the workforce. Under that measure, from 1 July 2014, a payment of up to $10,000 will be available to employers who hire a mature aged job seeker, aged 50 years or over who has been receiving income support for at least six months.

Medicare levy low-income threshold for families increased

The increase to the Medicare levy low-income threshold for families applies to the 2013-14 income year.

The threshold for couples with no children will be increased to $34,367, and the additional amount of threshold for each dependent child or student will be increased to $3,156 for the 2013/14 income year.

This increase takes into account movements in the consumer price index (CPI) and ensures that low-income families who were not liable to pay the Medicare levy in 2012/13 will continue to be exempt, unless their incomes have increased by more than the CPI.

No change to the Medicare levy low-income thresholds for individuals and pensioners will occur as they have already been increased by more than the growth in the CPI so no further increase is required.

First Home Saver Accounts scheme to be abolished

The First Home Saver Accounts (FHSA) scheme will be abolished from 1 July 2015. The Government has made this decision due to lower than forecast take-up rates of these accounts. After this scheme is abolished, FHSA accounts will be treated like any other account held with a relevant provider.

From 1 July 2014

- The government co-contribution that was provided to individuals who made personal contributions to their FHSA to assist them to save for their first home will cease.

From 1 July 2015

- Tax concessions and the income and asset test exemptions for government benefits associated with FHSA will cease.
- Account holders will be able to withdraw their account balances without restriction.

  Also, new accounts opened from Budget night 2014 (13 May 2014) will not be eligible for concessions. Regulations will be made to ensure that anyone seeking to open a new account from Budget night 2014 is informed of these changes by the account provider. Existing account holders will continue to receive the government co-contribution, and all tax and social security concessions associated with these accounts, for the 2013 -14 year.

Tax receipts for individuals

From 1 July 2014, taxpayers will receive a "tax receipt" from the ATO that will show taxpayers in dollar terms how their taxes were spent on each budget area. In most circumstances, the tax receipt will be issued together with a taxpayer's notice of assessment. The government has indicated that the purpose of this initiative is to help ensure that pressure is maintained on governments to spend taxation revenues wisely.

Changes to HELP repayment thresholds, indexation, and loan fees

The following changes will be made to the Higher Education Loan Programme (HELP).

1. There will be a **new reduced minimum repayment threshold** that applies from 1 July 2016 set at 90% of the threshold that would have otherwise applied for the 2016-17 income year. This is estimated to be $50,638 in 2016-17. The repayment rate will be reduced to 2% for people with debts and their income is above the new minimum threshold. No other rates will change. (To compare, the minimum repayment threshold for 2013-14 is $51,309 and the minimum repayment rate is 4%.)
2. The **annual indexation** that applies to HELP debts will be adjusted from CPI to a rate equivalent to the yield on 10-year bonds issued by the Australian Government (capped at 6% per annum) from 1 June 2016.
3. The **loan fee** of 25% that applies to FEE-HELP loans for fee-paying undergraduate courses and the loan fee of 20% that applies to VET FEE-HELP loans for eligible full fee-paying students in higher level vocational education and training courses will be removed for the 2015-16 income year.

Increased Newstart eligibility age

The eligibility age for the Newstart Allowance and Sickness Allowance will increase from 22 to 24 years from 1 January 2015. Current recipients of these allowances aged 22 to 24 on 31 December 2014 will remain on those allowances. The eligibility thresholds for the Newstart Allowance will also be maintained for three years from 1 July 2014.

Family Tax Benefit reforms and new single parent benefit

A number of changes are being made to the Family Tax Benefit and New Single Parent Benefit. These are:

From 1 July 2014

- FTB payment rates will be maintained for two years by pausing the indexation of the maximum and base rates of FTB Part A and the rate of FTB Part B from 1 July 2014 until 1 July 2016.
- Income thresholds for the FTB Part A lower income free area and maintenance income free area and the FTB Part B secondary earner income free area will remain unchanged for three years from 1 July 2014 as a result of an indexation pause.

From 1 July 2015

- The Family Tax Benefit (FTB) Part B primary earner income limit will be reduced from the current $150,000 pa to $100,000 pa. This measure will also reduce the income threshold for the Dependent (Invalid and Carer) Tax Offset (DICTO) to $100,000.
- The FTB Part B payments will be limited to families whose youngest child is younger than six years of age. A transitional arrangement will ensure families with a youngest child aged six and over on 30 June 2015 remain eligible for the payments for two years.
- A new allowance of $750 per child aged between six and 12 years will be introduced for single parents on the maximum rate of FTB Part A whose youngest child is between six and 12 years of age from the point when they become ineligible for the FTB Part B.
- The FTB Part A Large Family Supplement (currently $313.90 per child pa) will be limited to families with four or more children and will be paid in respect of the fourth and each subsequent child in the family.
- The FTB Part A per child add-on to the higher income free threshold for each additional child will be removed.

The FTB Part A and FTB Part B end-of-year supplements will return to their original amounts of $600 pa for each FTB Part A child and $300 pa for each FTB Part B family and cease indexation.

Changes to the Medicare system

There are a variety of changes being made to the Medicare system that will affect patient contributions, indexation of fees and thresholds and Medicare safety net arrangements.

1. *Patient contributions*

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, while providers of these services will be allowed 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.

The measure will also remove the restriction on State and Territory governments from charging patients presenting to hospital emergency departments for general practitioner-like attendances.

2. *Pausing of indexation*

- The indexation of some MBS fees will be paused for two years from 1 July 2014.
- The indexation for income thresholds for the Medicare Levy Surcharge and Private Health Insurance Rebate will be paused for three years from 1 July 2015.

Note that general practice MBS fees will be excluded from this. MBS fees which are not currently indexed, such as pathology and diagnostic imaging services, will not be affected.

3. *Medicare safety net arrangements*

From 1 January 2016, the existing Original Medicare Safety Net, Extended Medicare Safety Net and Greatest Permissible Gap will be replaced by the new Medicare Safety Net. There will be new safety net thresholds of $400 for concessional singles and concessional families, $700 for non-concessional Family Tax Benefit Part A (FTB-A) families and non-concessional singles, and $1,000 for non-concessional families who do not receive FTB-A.

The Medicare Safety Net assists families and singles by contributing towards out-of-pocket costs for Medicare eligible out-of-hospital services. Once the annual thresholds have been reached in a calendar year, Medicare will pay 80% of any subsequent out-of-pocket costs, capped at 150% of the MBS fee. The out-of-pocket costs that accumulate in reaching the safety net thresholds will also be capped at 150% of the MBS fee.

Pension age increase and other pension reforms

There are a variety of changes occurring that will affect the pension.

1. Qualifying Age Pension age increases

In the 2009-10 Budget, the then government proposed to increase the Age Pension qualifying age from 1 July 2017 to ensure it reached 67 by 1 July 2023. In the 2014-15 Budget, this government will further increase the Age Pension qualifying age to ensure it reaches 70 by 1 July 2035. This ensures the qualifying age will continue to rise by 6 months every two years consistent with the original proposal.

Table 1 sets out the qualifying ages at which the new Age Pension qualifying age applies for the income years impacted by this measure and the range of birth dates which apply.

Table 1

Income Year	Range of Birth Dates	Age at which eligible for Age Pension
Up to 30 June 2017	Before 1 July 1952	65
2017 - 18	1 July 1952 to 31 December 1953	65 1/2
2018-19	1 July 1952 to 31 December 1953	65 1/2
2019-20	1 January 1954 to 30 June 1955	66
2020-21	1 January 1954 to 30 June 1955	66
2021-22	1 July 1955 to 31 December 1956	66 1/2
2022-23	1 July 1955 to 31 December 1956	66 1/2
2023-24	1 January 1957 to 30 June 1958	67
2024-25	1 January 1957 to 30 June 1958	67
2025-26	1 July 1958 to 31 December 1959	67 1/2
2026-27	1 July 1958 to 31 December 1959	67 1/2
2027-28	1 January 1960 – 30 June 1961	68
2028-29	1 January 1960 – 30 June 1961	68
2029-30	1 July 1961 to 31 December 1962	68 1/2
2030-31	1 July 1961 to 31 December 1962	68 1/2
2031-32	1 January 1963 to 30 June 1964	69
2032-33	1 January 1963 to 30 June 1964	69
2033-34	1 July 1964 to 31 December 1965	69 1/2
2034-35	1 July 1964 to 31 December 1965	69 1/2
2035-36	From 1 January 1966	70

2. Income test

From 20 September 2017, the government will change how it deems the return from a person's financial assets for the purposes of the pension income test. This involves resetting the deeming thresholds:

- single pensioners – from $46,600 to $30,000; and
- pensioner couples – from $77,400 to $50,000.

3. Indexation changes

- The indexation of income and assets test free areas for the pension will be paused for three years from 1 July 2017.
- From 1 September 2017, pension increases will be linked only to CPI.

4. Commonwealth Seniors Health Card changes

The income thresholds for the Commonwealth Seniors Health Card will be indexed annually to the CPI from September 2014. Payments of the Senior Supplement will also cease from 20 September 2014.

Changes to Superannuation

Superannuation excess contributions tax

For contributions made after 1 July 2013, the government will allow individuals to withdraw excess contributions and associated earnings that breach the non-concessional cap.

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. However, the final details of the policy will be ironed out following consultation with key stakeholders in the superannuation industry.

Rescheduling the increase in superannuation guarantee rate

The scheduled increase to the superannuation guarantee rate is changing and will no longer be paused at 9.25% for another two years. Instead, it will increase to 9.5% from 1 July 2014, will pause at this level until 30 June 2018 and will then start to rise by 0.5% reaching 12% in the 2022-13 income year, one year later than previously proposed. See Table 2.

Table 2

Year	Superannuation guarantee rate
From 1 July 2013	9.25%
From 1 July 2014	9.50%
From 1 July 2015	9.50%
From 1 July 2016	9.50%
From 1 July 2017	9.50%
From 1 July 2018	10%
From 1 July 2019	10.50%
From 1 July 2020	11%
From 1 July 2021	11.50%
From 1 July 2022	12%

Changes to tax administration

Tax compliance through third party reporting and data matching: start date deferred

Last year's Budget saw the introduction of an initiative to strengthen third party reporting and data matching to assist the ATO with its compliance work and revenue collection.

Per this year's Budget, the start date for the legislative elements of this initiative will be deferred from 1 July 2014 to 1 July 2016.

The legislative elements of the measure that are being deferred involve the creation of new third party reporting regimes relating to:

- taxable government grants and other specified government payment;
- sales of real property, shares (including options and warrants) and units in managed funds; and
- sales through merchant debit and credit services.

Minor amendments to tax laws

A series of minor amendments to the tax and superannuation laws will be made to correct technical defects, remove anomalies and address unintended outcomes which have recently been identified, including technical corrections to the uniform penalty rules that prevent certain penalties that are levied under the law from being collected, and a number of amendments to address issues raised by industry in relation to the consolidation regime.

Inspector-General of Taxation to manage certain tax complaints

From 1 July 2014, the Commonwealth Ombudsman's case management of tax complaints will be transferred to the Inspector-General of Taxation (IGT). This measure will enhance the IGT's systematic review role, and provide taxpayers with more specialised and focused complaint handling of their tax matters.

This initiative strengthens the IGT's role as an independent reviewer of systemic tax administration and to report to the Government with recommendations to improve tax administration for the benefit of all taxpayers.

Measures affecting companies and trusts

There are a variety of measures that were included in the Budget that impact some companies and trusts, including:

- *Deferral of the start date for the MIT system* – the start date for the new system for managed investment trusts will be deferred to 1 July 2015. The tax law will be amended to allow MITs and other trusts treated as MITs to continue to disregard the trust streaming provisions for the 2014-15 income year, ensuring these interim arrangements for MITs continue to apply until the commencement of the new tax system for MITs.
- *R&D tax incentive* – from 1 July 2014, the rates of the refundable and non-refundable offsets for the Research and Development (R&D) Tax Incentive will be reduced by 1.5%.

- *Modified consolidation integrity measures* – from Budget night, certain modifications to the consolidation integrity package that was announced in the 2013-14 Budget will take effect.
- *Foreign resident CGT regime: modification of integrity measure* – modification will be made to the measure announced in the 2013-14 Budget to amend the principal asset test so that the measure now applies to interests held by foreign residents in unconsolidated groups.

Fuel excise

Biannual indexation to CPI of excise and excise-equivalent customs duty for all fuels except aviation fuels will be reintroduced. The purpose of this is to secure funding for additional road infrastructure projects. The change is to take effect from 1 August 2014.

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