

13 MAY 2015

Federal Budget 2015

www.yourlifestyle.com.au

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2015/2016 Federal Budget Update

In describing his second Federal Budget the Federal Treasurer, Joe Hockey said 'This Budget is measured, fair and responsible' and is designed to promote 'jobs, growth and opportunity'.

Overnight, the Federal Government handed down its annual budget. It contained the following key points related to retirement planning:

- No change to personal tax rates
- No new taxes on superannuation were introduced
- The Assets Test thresholds and Assets Test taper rate were increased
- Changes to the indexation of the Age Pension and deeming thresholds were abandoned
- The former home rental income exemption for aged care residents was removed

Other significant financial planning-related items were:

- A reduction in the small business tax rate
- An immediate tax deduction for small businesses
- The introduction of a single means-tested child care subsidy.

The Budget is detailed and complex. In the following, we have attempted to simplify the main points to allow for easier digestion. We have not tried to summarise the "whole Budget", just some of the areas that may impact our clients. Every person's situation is different, so we encourage you to contact us if any of the following areas impact you or you would like further clarification on the details behind our summary.

Superannuation

- The only proposed superannuation change of significance is to extend the maximum life expectancy (from 12 to 24 months) to allow a terminally ill patient access to their superannuation.
- No other new superannuation measures were announced in this year's Budget, in line with the Government's 2013 election commitment to not make changes during its first term.
- In 2015/16, the minimum amount of super contributions employers must make into eligible employees' accounts under the Superannuation Guarantee (SG) will remain at 9.5% per annum.

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The table below summarises the caps that will apply to super contributions in 2015/16.

Concessional	Comprises all employer contributions (including superannuation guarantee and salary sacrifice contributions), personal contributions claimed as a tax deduction and certain other amounts	Aged 49 + on 30/06/2015	\$35,000
		Aged < 49 on 30/06/2015	\$30,000
Non-concessional	Comprises personal after-tax contributions, spouse contributions and certain other amounts	\$180,000 or \$540,000 provided you are aged 64 or under on 1/07/2015, don't exceed this amount over a three-year period and meet certain other conditions	

No change to personal income tax rates

Personal income tax rates for 2015-16 (\$)	Residents Marginal Tax Rate (%)
0 - 18,200	0
18,201 - 37,000	19
37,001 - 80,000	32.5
80,001 - 180,000	37
>180,000	47

Note:

The Temporary Budget Repair Levy has not been extended beyond 30 June 2017.

Low Income Tax Offset (LITO) is unchanged and effective tax-free threshold is \$20,542 in 2015-16.

Increasing the Medicare levy for low-income thresholds

The Government will increase the Medicare levy low-income thresholds for singles, families and single seniors and pensioners to take into account movements in the Consumer Price Index. Taxpayers with taxable income below this threshold are exempt from paying Medicare Levy. These changes are to apply from 2014-15.

Medicare low income thresholds	Current	Proposed
Individuals	\$20,542	\$20,896
Married sole parent	\$34,367	\$35,261
For each dependent child or student, add:	\$3,156	\$3,238

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For people entitled to the seniors and pensioner tax offset:

Medicare low income thresholds	Current	Proposed
Individuals	\$32,279	\$33,044

Age Pension - Increase in Assets Test thresholds

From 1 January 2017, the Assets Test thresholds for the full pension will be increased. The current and proposed thresholds are detailed below:

	Assets Test threshold for full pension - Current	Assets Test threshold for full pension - 1 Jan 2017
Single, homeowner	\$202,000	\$250,000
Single, non-homeowner	\$348,500	\$450,000
Couple, homeowner	\$286,500	\$375,000
Couple, non-homeowner	\$433,000	\$575,000

Age Pension - Increase of the Assets Test taper rate

From 1 January 2017, the Assets Test taper rate will increase from \$1.50 to \$3.00, effectively reversing the 2007 decision to halve the taper rate at that time. The current and proposed thresholds are detailed below:

	Assets Test threshold for part pension - Current	Assets Test threshold for part pension - 1 Jan 2017
Single, homeowner	\$775,500	\$547,000
Single, non-homeowner	\$922,000	\$747,000
Couple, homeowner	\$1,151,500	\$823,000
Couple, non-homeowner	\$1,298,000	\$1,023,000

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Commonwealth Seniors Health Care Card

The Government will ensure age pensioners who lose entitlement due to the above changes will be entitled to the Commonwealth Seniors Health Care Card (CSHC) from 1 January 2017. The CSHC is designed to assist older Australians by providing a range of concessions, including:

- discounts on Pharmaceutical Benefits Scheme (PBS) prescription medicines
- bulk-billed doctor appointments (at the doctor's discretion)
- lower out-of-hospital medical expenses through the Medicare Safety Net.

Tax incentives for small business

The Government announced a range of tax concessions to assist small business entities. Generally, by their definition a small business entity has business turnover (aggregated turnover) of less than \$2 million.

Company tax cuts

A tax cut of 1.5% is proposed to apply to all incorporated small business entities from the 2015-16 financial year. If implemented, this measure will reduce the company tax rate for small business entities to 28.5%.

Importantly, the Government has confirmed the current maximum franking credit rate of 30% will remain unchanged for all companies, maintaining the existing arrangements for investors, such as self-funded retirees.

Unincorporated small business tax cuts

Individual taxpayers with business income from an unincorporated small business will be eligible for a 5% tax discount on income tax payable on business income received from the 2015-16 financial year. The discount will be capped at \$1,000 per individual for each income year.

Expansion of accelerated depreciation

Small businesses will be able to claim an immediate deduction on assets that cost less than \$20,000 which they start to use or install ready for use, between Budget night 2015 and 30 June 2017. Assets valued at \$20,000 or more can continue to be placed in the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter.

From 1 July 2017, the thresholds for the immediate depreciation of assets and the value of the pool will revert back to existing arrangements.

Deduction on professional advice fees relating to establishment of a business

New businesses will be able to claim an immediate deduction on a range of professional expenses associated with starting a business, such as professional, legal and accounting advice. This measure is proposed to apply from 2015-16.

Capital gains tax roll-over relief for changes to entity structure

From the 2016-17 financial year the Government proposes to allow small businesses to change legal structure without attracting a capital gains tax (CGT) liability at that point.