

How the Federal Budget affects your business – an employee management perspective

Treasurer Joe Hockey delivered his first Federal Budget this week. Managing Director of Aussiepay, Dean Morelli, gives you his take on what the 2014/15 budget changes will mean for your business.

The Federal Treasurer's first budget, handed down earlier this week, was described by the party as "balanced and credible budget repair", with the goal of reducing the national deficit from its current \$49.9b to \$29.8b next year.

Although there weren't significant tax measures, there were a number of changes that will affect your employee management. We've developed a quick overview to keep you up to speed with the changes in all areas, including:

- Deficit levy
- Medicare levy
- Tax rates
- Fringe Benefits Tax (FBT)
- Reportable Fringe Benefits (RFB)
- Superannuation guarantee
- Termination payment tax rates
- Superannuation concession limits
- Federal Paid Parental Leave, and
- Incentives for older employees.

Deficit levy

From 1 July, a deficit levy of 2% will be levied for the next three years on those with taxable incomes *in excess of* \$180,000pa, expiring 30 June 2017 and effectively raising the top marginal tax rate from 45% to 47%. This is planned to raise \$3.1b, but some have argued it may only raise half of the forecast revenue. Both the ALP and Greens have displayed strong opposition, with the ALP calling it a broken promise and the Greens arguing the three-year lifespan is a temporary budget repair.

If it *does* get through the Senate (which doesn't appear likely at this stage), then the question remains as to whether it becomes a permanent feature.

Medicare levy

The new financial year will also see the Medicare levy increase from 1.5% to 2% to fund the National Disability Income Scheme (NDIS). Opposition to this measure is unlikely given that the major parties have previously stated their support for the scheme.

Further information can be located within [Budget Paper No. 2](#).

Tax rates

Individual tax rates saw minimal changes, but the new rates for residents and non-residents are as follows:

Income	Tax rate %* (Residents)	Tax rate % (Non-residents)
Up to \$18,200	Nil	32.5%
\$18,201 to \$37,000	19%	32.5%
\$37,001 to \$80,000	32.5%	32.5%
\$80,001 to \$180,000	37%	37%
\$180,001 and over	47%	47%

* Plus Medicare levy at 2%

Note that Aussiepay will adjust all tax tables on your behalf – from 1 July 2014, the new rates and levies will be implemented across *all* payrolls.

Fringe Benefits Tax (FBT)

In order to prevent high-income earners from converting their earnings to fringe benefits to avoid the deficit tax, the FBT rate will see a 2% increase to 49% from 1 April 2015. This is again a temporary measure, due to conclude on 31 March 2017 in alignment with the FBT income year. The gross-up factors are 1.8868 (no GST credit) and 2.0802 (GST credit) to reflect the change in the Medicare levy.

Note also that the fringe benefits rebate rate will align with the FBT rate from 1 April 2015.

Charities enjoying a Public Benevolent Institution Tax status will have their annual FBT caps increased to offset any effects resulting from the changes.

Reportable Fringe Benefits (RFB)

No changes have been announced to reportable fringe benefits apart from a change to the gross-up factor determined to calculate FBT liabilities and reportable fringe benefits amounts, which will apply from 1 July 2014.

Note that Aussiepay will adjust all calculations for employees maximising their RFB to the new lower limit from 1 July.

Superannuation guarantee

As the Government has been unsuccessful in gaining approval for the planned freezing of the superannuation guarantee rate to remain at 9.25%, the rate will automatically rise to 9.5% on 1 July (as currently legislated).

The rate will remain at 9.5% until 30 June 2018, after which time it is proposed to increase by 0.5% each subsequent year until it reaches 12%.

The success of this change is dependent upon Senate support, but the Government has argued that it is now necessary given the Senate failed to pass the [Minerals Resource Rent Tax Repeal and Other Measures Bill 2013](#) designed to defer the 1 July increase.

Termination payment tax rates

Proposed termination payment tax rates for implementation from 1 July 2014 are expected to increase as follows:

From:	To:
16.5%	17%
31.5%	32%
46.5%	49%

Note that Aussiepay will automatically adjust all calculations on your behalf from 1 July.

Superannuation concessional limits

Superannuation contributions greater than the concessional limits have previously been taxed and penalised excessively, creating a real problem if the breach was inadvertent.

Any excess non-concessional (after-tax) contributions made from 1 July 2013 can be withdrawn from superannuation *without being subject to excess non-concessional contributions tax at 46.5%*. The earnings generated on the excess non-concessional contribution will also be able to be withdrawn and taxed at the individual's marginal tax rate.

This means that, rather than being penalised with a large tax bill for what is often an inadvertent breach of the concessional limits, individuals may elect to withdraw the money from their superannuation without any taxation consequences.

The superannuation limits for 2014/15, as previously announced, are:

Age at 30 June 2015*	Limit
Under 50 (under 49 years at 30 June 2014)	\$30,000 (previously \$25,000)
50+ (49 or older at 30 June 2014)	\$35,000

* No Medicare levy

Federal Paid Parental Leave

Providing the Senate passes the legislation (which is not assured!), the Government will introduce a paid parental leave scheme with an income cap of \$100,000pa (including superannuation).

The scheme is proposed to start on 1 July 2015, funded by an increase in the company tax rate of 1.5% on companies with taxable income that exceeds \$5 million.

It is intended that the scheme be administered by the Government, and not by employers.

Incentives for older employees

A new measure introduced in the budget will provide employers with a rebate for employing older staff where the employee is aged 50 years or over, and has been out of work for a minimum of three months or who has been receiving income support for at least six months.

Known as Restart, a payment of up to \$10,000 will be available to employers in order to support mature job seekers in re-entering the workforce (the subsidy will be pro-rated for those employers that hire on a part-time basis), with payments made in the following instalments:

Period worked (months)	Payment to employer
6	\$3,000
12	\$3,000
18	\$2,000
24	\$2,000

The job must be sustainable and employers must show that they are not displacing existing workers with subsidised job seekers.

The mature age worker tax offset will be abolished from 1 July, with these savings redirected to fund the Restart program.

**All information has been sourced directly from the Federal Budget Papers, primarily [Budget Paper No. 2](#). All documents for the 2014/15 Federal Budget can be viewed directly at www.budget.gov.au.*

Do you have questions specific to your business?

You aren't alone! Contact the Employgroup team now on and we will happily advise.

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