

2013-14 Budget Overview for Individuals

Lincoln Shafiqullah CPA
Director, Express Tax Solutions

No changes to tax rates: The proposed changes to the marginal tax rates and income thresholds, which were due to take effect from 1 July 2015, will no longer be going ahead.

Medicare levy to increase in 2014: The Medicare levy will increase by 0.5% to 2% per annum of taxable income from 1 July 2014 to raise funds to build a better life for Australians with significant and permanent disability.

Changes to self-education expense deductions: From 1 July 2014, tax deductions for self-education expenses will be capped at \$2,000 per annum for individuals.

Family payments: There have been a number of changes to family payments. In some cases, this will mean fewer families will receive benefits and others will see their payments reduce as their income grows.

- **Changes to age eligibility from 1 January 2014:** A family will only be eligible for FTB - A until a child who is 16 years or older completes school.
- **Reduction in time to claim FTB and Child Care Assistance from 1 July 2012:** When claiming FTB or Child Care Assistance, families will now only have 12 months to finalise their claim and determine if they're eligible for an end of year supplement.
- **Baby bonus to be replaced with new Family Tax Benefit payment:** The Baby Bonus, which currently pays \$5,000 to eligible parents for each new born or newly adopted child, will be replaced from 1 March 2014. Instead, families who are eligible for the Family Tax Benefit Part A will receive \$2,000 following the birth of their first child, and \$1,000 for each subsequent child.

Recent super reforms confirmed: The proposed reforms to Australia's superannuation system that were announced on 5 April 2013 have been confirmed.

The key superannuation measures include: Higher concessional contribution cap. The concessional contribution (CC) cap will increase to \$35,000 pa from:

- 1 July 2013 for people 60 and over, and
- 1 July 2014 for people 50 and over.

The cap will remain at \$25,000 per annum for all other ages.

Excess contributions tax reforms From 1 July 2013, individuals will be allowed to withdraw any excess concessional contributions made from their super fund.

In these instances, excess concessional contributions will be taxed at the individual's marginal tax rate, plus an amount for interest.

Note: These measures are proposals only and may or may not become law.