Budget 2015

The ‘have a go’ Budget

Contents

Please direct any questions regarding the Budget 2015 summary to:

Knowledge Shop Professional Consulting Pty Ltd
Level 2, 115 Pitt St, Sydney NSW 2000
Phone – 1800 800 232

The Highlights

This is a highly targeted Budget that seeks to keep change within community tolerance levels.

Most spending measures target productivity gains - although small businesses with turnover between $2m and $5m will be disappointed. Revenue measures target the asset or income rich, or just plain unpopular.

Accelerated depreciation across multiple areas

- **Micro business** - immediate deductibility from Budget night for any assets purchased and used or installed and ready to use by 30 June 2017 that cost less than $20,000
- **Start ups** – immediate deductibility for professional expenses – cost of lawyers and accountants to get a business up and running
- **Farmers** – immediate deductibility for fencing and water facilities

Tax cuts for small business (under $2m) from 1 July 2015

- 1.5% company tax reduction
- 5% tax discount for unincorporated small businesses

GST on digital supplies

- Similar GST treatment applied to supplies of digital products to Australian consumers – including consulting and professional services – regardless of whether they are supplied by a local or foreign supplier

Individuals

- Changes to work related deductions for car expenses – 12% of original value and one third of actual cost methods removed and simplification of cents per kilometre method

FBT changes

- Changes to salary sacrificed meal entertainment for not for profits
- Expansion of FBT exemption for work related electronic devices provided by small businesses

Multinationals targeted

- Changes to Part IVA target around 30 global companies with revenue in excess of $1bn

Accessing government benefits

- Changes to how superannuants' income counted for social security
- Child care shake up - Collapses three current eligibility tests with one means and activity test
- Asset test changes mean 91,000 pensioners no longer qualify and 235,000 will have pension reduced
- 'Double dipping' Government and employer paid parental leave stopped

Business

Micro Business (under $2m)

> “…every small business will get a tax cut…”
> *Treasurer Joe Hockey*

A tax cut if your business’s aggregated turnover is less than $2m that is. If not, bad luck.

Small businesses with a turnover of $2m or below make up 97.5% of all businesses in Australia. The majority of taxpayers in this sector are not in a company structure - accounting for only 11% of the total company tax take despite the sheer volume of businesses represented. Well under half of these businesses paid net tax.*

There are only 72,000 businesses with a turnover between $2m and $5m. Despite the small volume, these businesses contributed 10% of the total company tax take. These businesses did not receive any additional benefits in the Budget to help them grow and develop (aside from primary producers).

* based on 2011/2012.

Small business tax cuts

Date of effect	From 2015/2016 income year

The Government has announced tax reductions for small businesses with an aggregated annual turnover below $2m regardless of entity type.

For companies, the company tax rate will be reduced by 1.5% to 28.5%. Maximum franking credit rates for a distribution will remain unchanged at 30%.

For taxpayers operating through an unincorporated business structure (partnerships, trusts, etc.), they will receive a 5% tax discount on the income tax payable on business income received. The discount is capped at $1,000 per individual for each income year, and delivered as a tax offset.

It’s important to remember that you need to make a profit to benefit from these changes. The last taxation statics released by the ATO showed that less than half of all businesses with this income level made a taxable profit.

Accelerated depreciation on purchases up to $20k

Date of effect	Between 7.30pm (AEST) 12 May 2015 and 30 June 2017

Businesses with an aggregated turnover of under $2m can now immediately deduct assets they start to use or install ready for use, provided the asset costs less than $20,000.

The message is clear on this one – get out and start spending.

Of course this is subject to the amending legislation passing through Parliament (and in a timely manner). Many of us remember the last time the immediate deduction threshold was changed for small businesses and the confusion that was caused when the amendments were held up in Parliament.

Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed in the small business simplified depreciation pool (the pool) and depreciated at 15% in the first income year and 30% each income year thereafter. The pool can also be immediately deducted if the balance is less than $20,000 over this period (including existing pools).

The 'lock out' laws for the simplified depreciation rules (these prevent small businesses from re-entering the simplified depreciation regime for 5 years if they opt out) will be suspended until 30 June 2017 allowing all small businesses to take advantage of the temporary increase in the deduction threshold.

FBT holiday for portable electronic devices

Date of effect	1 April 2016

Currently, an FBT exemption can apply to more than one portable electronic device used primarily for work purposes, but only where the devices perform substantially different functions. Applying to businesses with and aggregated turnover of under $2m, this new measure will simplify the rules by removing the requirement for the devices to be substantially different. This should address some of the uncertainty that has arisen when applying the rules to tablets, laptops, phones and other devices that are hard to distinguish from each other in terms of functionality.

Immediate deduction for professional costs setting up a business

Date of effect	Applies from 2015/2016 income year

As previously announced, start ups will be able to immediately deduct a range of professional expenses required to start up a business – such as professional, legal and accounting advice.

Generally these expenses are deductible over 5 years.

More

- Media release - Supporting start-ups and entrepreneurship

CGT relief for changes to small business structures

Date of effect	Applies from 2016/2017 income year

As previously announced, small business with an aggregated turnover under $2m will be able to change their legal structure without triggering CGT. CGT rollover relief is currently available on transfer of business assets from individuals, partnerships and trusts into a company structure but all other entity type changes have the potential to trigger a CGT liability.

It is expected that this would allow a much broader range of restructuring options without triggering CGT. For example, a sole trader may be able to restructure their operations into a trust structure. Bear in mind that other tax issues may still need to be addressed on restructuring a business, particularly transfer duty.

More

- Media release - Supporting start-ups and entrepreneurship

Other Business

GST on digital goods & services

Date of effect	Supplies made on or after 1 July 2017

On 11 May, Treasurer Joe Hockey announced that the Government will target providers such as Netflix to ensure a “level playing field for the suppliers of digital products and services in Australia in relation to the GST.”

The draft legislation introduced on Budget night broadens the GST system to digital products and other imported services supplied to Australian consumers by foreign entities in a similar way to equivalent supplies made by Australian businesses. The measure is expected to generate $350m over 4 years.

This change will result in supplies of digital products, such as streaming or downloading of movies, music, apps, games, e-books as well as other services such as consultancy and professional services receiving similar GST treatment whether they are supplied by a local or foreign supplier.

In some cases the GST liability might shift from the supplier to the operator of an electronic distribution service where those operators have responsibility for billing, delivery and terms and conditions.

The regulations will be amended to allow for a change to the GST registration process for affected entities. Entities will also be able to elect to have limited registration for GST, which will prevent them from accessing input tax credits.

As this legislation seeks to amend the GST, the unanimous agreement of the States and Territories is required.

Who is affected?

Any business that supplies digital products to Australian consumers not currently subject to GST will potentially be affected by this change.

It will be interesting to see how the Government and ATO ensure compliance with the new measures particularly where many of the foreign suppliers would not typically have a physical presence in Australia. At a minimum, foreign suppliers would be expected to collect more details from Australian customers to establish their residency status, GST registration status and whether the acquisitions by the customers would qualify for GST credits.

More

- Draft legislation – Tax Laws Amendment (Tax Integrity: GST and Digital Products) Bill 2015
- Media release – strengthening our tax system

Employee share schemes – further changes

Date of effect	1 July 2015

The Government is making further technical amendments to the draft legislation enabling reforms to the taxation of employee share schemes. The changes:

- Exclude eligible venture capital investments from the aggregated turnover test and grouping rules (for the start–up concession);
- Provide the CGT discount to employee share scheme interests that are subject to the start–up concession, where options are converted into shares and the resulting shares are sold within 12 months of exercise; and
- Allow the Commissioner of Taxation to exercise discretion in relation to the minimum three–year holding period where there are circumstances outside the employee's control that make it impossible for them to meet this criterion.

A number of other amendments accompany these changes to make employee share schemes more accessible for Australian businesses and their employees.

These changes will take effect with the remainder of the enabling legislation from 1 July 2015 and are estimated to have a small but unquantifiable cost to revenue over the forward estimates period.

More

- Legislation - Tax and Superannuation Laws Amendment (Employee Share Schemes) Bill 2015
- Media release – More restoring and rebuilding for Australian business (25 March 2015)

GST changes scrapped

The Government had previously announced that it would proceed with an announced but unenacted measure to replace the GST-free treatment of supplies of going concerns and certain supplies of farmland with a reverse charge mechanism. The measure has now been scrapped on the basis that it does not achieve the original intention of reducing compliance costs. This will come as a relief to many as the changes may have had an adverse and unintended stamp duty impact.

R&D capped to $100m

Date of effect	Assessments for income years on or after 1 July 2014

A cap of $100m on the amount of eligible Research & Development (R&D) expenditure has already been introduced. Any expenditure above the cap will receive a lower offset at the company tax rate.

Anti-avoidance and multinationals

The Treasurer confirmed that the Government will not introduce a UK style diverted profits tax or any other additional tax structures to prevent the so called “Double Irish Dutch Sandwich” arrangements to prevent multinationals from moving profits to low taxing environments.

Instead, legislation introduced on Budget night strengthens the existing anti-avoidance provisions in Part IVA. The new law will target approximately 30 companies where:

- The activities of an Australian company or other entity are integral to an Australian customer's decision to enter into a contract;
- The contract is formally entered into with a foreign related party to that entity; and
- The profit from the Australian sales is booked overseas and subject to no or low global tax.

The measures apply only to large multinationals who meet the following thresholds:

- **Global revenue threshold** - the non-resident entity (or the non-resident’s global group) has an annual global revenue in excess of AU$1 bn in the income year in which they operated the scheme.
- **No or low tax jurisdiction condition** - the non-resident (or an entity in their global group) has activities in no or low corporate tax jurisdictions.

For the multinational anti-avoidance law to apply, it must be reasonable to conclude that the division of activities between the non-resident entity, the Australian entity, and any other related parties has been designed so as to ensure that the relevant taxpayer is not deriving income from making supplies that would be attributable to the permanent establishment in Australia.

Additionally, the relevant taxpayer, who entered into or carried out the scheme, must have done so for the principal purpose or for one of the principal purposes of enabling a taxpayer to obtain a tax benefit, or both to obtain a tax benefit and to reduce other tax liabilities under Australian law (other than income tax) or under a foreign law.

Where a scheme is captured by the new rules, the Tax Commissioner has the power to look through the scheme and apply the tax rules as if the non-resident entity had been making a supply through an Australian permanent establishment. This includes the business profits from the supply that would have been attributable to an Australia permanent establishment and obligations arising (for the relevant taxpayer or another taxpayer) under royalty and interest withholding tax.

The Tax Commissioner will have the power to recover unpaid taxes and issue a fine or “compensating adjustment” of an additional 100% of unpaid taxes plus interest.

Transfer pricing documentation for large multinationals

Plus, from 1 January 2016, the OECD’s new transfer pricing documentation standards will be implemented for large global multinationals with global revenues of $1bn or more.

Under the new documentation standards, the ATO will receive the following information on large companies that operate in Australia:

- Country−by−Country Report showing information on the global activities of the multinational, including the location of its income and taxes paid;
- A master file containing an overview of the multinational's global business, its organisational structure and its transfer pricing policies; and
- A local file that provides detailed information about the local taxpayer's intercompany transactions.

More

- Draft Legislation – Tax Laws Amendment (Tax Integrity Multinational anti-avoidance law) Bill 2015
- Media release – strengthening our tax system

Managed investment trust transition period

Date of effect	1 July 2016 (but can be applied from 1 July 2015)

The Government is proceeding with the announced changes to the taxation of Managed Investment Trusts but moving that start date back to 1 July 2016. Managed Investment Trusts will be allowed to choose to apply the new rules from 1 July 2015.

Managed investment trusts and other trusts treated as managed investment trusts will continue to be allowed to disregard the trust streaming provisions for the 2015/2016 income year. This will ensure these interim arrangements for managed investment trusts continue to apply until the commencement of the new rules.

The new system for MITs contains some significant changes, including an attribution model which allows amounts to retain their tax character as they flow through a MIT to members, the ability to carry forward understatements or overstatements of taxable income rather than having to re-issue investor statements and allowing upwards cost base adjustments for unit holders to prevent double taxation.

The new rules will also introduce amendments to the public trading trust rules. Under the current rules, a trading trust can be treated as a public trading trust and be taxed like a company if at least 20% of the units in the trust are held by complying superannuation funds. The new rules will ensure that any interests held by superannuation funds and tax exempt entities can be disregarded when applying the 20% threshold. For example, a trust that is wholly owned by complying superannuation funds should not be treated as a public trading trust under the new rules.

More

- Draft Legislation – A new tax system for Managed Investment Trusts

Business registration process to be streamlined

Date of effect	Mid 2016

A single online registration site will be implemented in order to streamline the registration of new businesses.

Under the proposed new system, businesses will be able to log onto business.gov.au and enter the relevant details once in order to manage a number of business registration requirements such as ABN registration, company registration, business name registration, GST registration, PAYG withholding registration, FBT registration, an Australian Business Account as well as an online payment mechanism of registration costs.

ASIC to implement crowd funding framework

Date of effect	1 January 2016

ASIC will receive $7.8m to implement and monitor a regulatory framework to facilitate the use of crowd–source equity funding (CSEF), including simplified reporting and disclosure requirements.

Licensing and import processing fees increase

Date of effect	1 January 2016

If you are an importer, the Import Processing Charge (IPC) and import−related licence charges, are about to go up raising $107.6m over 4 years.

The IPC will be restructured to recover the cost of cargo and trade−related reform activities, remove the differential charges for post, air and sea cargo declarations, and introduce higher charges for manual documentary declarations.

Licence charges will be restructured for brokers, depots and warehouses, including introducing warehouse and broker licence application charges, increasing the broker licence renewal charge and introducing a warehouse licence variation charge.

Fringe benefits tax changes

Not for profits – changes to salary sacrificed meal entertainment

Date of effect	1 April 2016

Affecting employees of public benevolent institutions and health promotion charities, the Government is introducing a separate single grossed−up cap of $5,000 for salary sacrificed meal entertainment and entertainment facility leasing expenses (meal entertainment benefits) for employees.

Meal entertainment benefits exceeding the separate grossed−up cap of $5,000 can also be counted in calculating whether an employee exceeds their existing FBT exemption or rebate cap. All use of meal entertainment benefits will become reportable.

Currently, employees of public benevolent institutions and health promotion charities have a standard $30,000 FBT exemption cap ($31,177 for the first year of the measure because of the Temporary Budget Repair Levy) and employees of public and not−for−profit hospitals and public ambulance services have a standard $17,000 FBT exemption cap ($17,667 for the first year).

In addition to these FBT exemptions, these employees can salary sacrifice meal entertainment benefits with no FBT payable by the employer and without it being reported. Employees of rebatable not−for−profit organisations can also salary sacrifice meal entertainment benefits, but the employers only receive a partial FBT rebate, up to a standard $30,000 cap ($31,177 for the first year).

Farmers

Immediate deductions for fencing and water facilities

Date of effect	For income years on or after 1 July 2016

From 1 July 2016, primary producers will be able to immediately deduct capital expenditure on fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills.

Plus all capital expenditure on fodder storage assets such as silos and tanks used to store grain and other animal feed will be deductible over 3 years.

The changes will not be limited to small business entities unlike the other proposed changes to depreciation rates.

Currently, the effective life for fences is up to 30 years, water facilities is 3 years and fodder storage assets is up to 50 years.

Tax compliance

The Tax Office will receive an extra $265.5m over 3 years from 1 July 2016 for its GST compliance program.

Increasingly we are also seeing the Serious Financial Crime Taskforce take the lead on investigations and prosecutions for superannuation and investment fraud, identity crime and tax evasion. The Taskforce has received an additional $127.6m over 4 years.

There is also quite a bit of money set aside for streamlining how Government interacts with business and individuals to streamline compliance and unnecessary form filling.

Tax Commissioner given power to change laws

Date of effect	Royal Assent

The Government is providing the Tax Commissioner with the ability to make a legislative instrument to modify the operation of the tax law to ensure that the law's purpose or object is achieved. Any legislative instrument will be subject to consultation and disallowance by Parliament.

There are no other details on this change but we'll bring you more as soon as details are released.

Superannuation

Dying able to access their super earlier

Date of effect	From 1 July 2015

After a few horrible cases where terminally ill people could not access their superannuation, the Government is changing the rules to provide some respite.

Currently, patients must have two medical practitioners (including a specialist) certify that they are likely to die within 1 year to gain unrestricted tax free access to their superannuation balance. The Government will change this period to 2 years.

Social Security for superannuants

Date of effect	From 1 January 2016

A larger proportion of a superannuant's defined benefit income will be taken into account when applying the relevant social security income test, capping the proportion of income that can be excluded at 10%.

A defined benefit income stream is a pension paid from a public sector or other corporate defined benefit superannuation fund where the pension paid generally reflects years of service and the final salary of the beneficiary. Under current arrangements, some defined benefit superannuants are able to have a large proportion of their super income excluded from the pension income test.

Recipients of Veterans' Affairs pensions and/or defined benefit income streams paid by military superannuation funds are exempt from this measure.

Individuals

Tax changes

Changes to work related car expenses

Date of effect	From 2015/2016 income year

The way work related deductions for car expenses are calculated will change.

The '12% of original value method' and the 'one‑third of actual expenses method' will be removed - the Government says they are only used by less than 2% of those who claim work related car expenses.

The 'cents per kilometre method' will be modernised by replacing the three current rates based on engine size with one rate set at 66 cents per kilometre to apply for all motor vehicles, with the Tax Commissioner responsible for updating the rate in following years. The 'logbook method' of calculating expenses will be retained. These changes will not affect leasing and salary sacrifice arrangements.

Zone Tax Offset excludes fly in fly out and drive in drive out workers

Date of effect	1 July 2015

'Fly-in fly-out' and 'drive-in drive-out' (FIFO) workers will be excluded from the Zone Tax Offset (ZTO) where their normal residence is not within a 'zone'. This means that some individuals who currently qualify for the offset will miss out from the 2016 income year onwards if they do not actually live full-time in a zone.

The ZTO is a concessional tax offset available to individuals in recognition of the isolation, uncongenial climate and high cost of living associated with living in identified locations. Eligibility is based on defined geographic zones.

Currently, to be eligible for the ZTO, a taxpayer must reside or work in a specified remote area for more than 183 days in an income year. The Government estimated that around 20% of all claimants do not actually live full−time in the zones. Many of these are FIFO workers who do not face the same challenges of remote living that the ZTO was designed to address.

For those FIFO workers whose normal residence is in one zone, but who work in a different zone, they will retain the ZTO entitlement associated with their normal place of residence.

Medicare levy low income threshold increased

Date of effect	From 2014/2015 income year

The Medicare levy low-income thresholds for singles, families and single seniors and pensioners will increase to take account of movements in the CPI so that low−income taxpayers generally continue to be exempted from paying the Medicare levy.

The threshold will be increased to:

Singles	\$20,896
Couples with no children	\$35,261
Additional amount of threshold for each dependent child or student	\$3,238
Single seniors and pensioners	\$33,044

Low income supplement axed

Date of effect	From 1 July 2017

The Low Income Supplement will be axed from 1 July 2017.

Recipients of most Government payments will continue to receive carbon tax compensation through the Energy Supplement, which provides up to \$14.10 per fortnight depending on individual circumstances.

Govt employees lose Official Development Assistance tax exemption

Date of effect	From 1 July 2016

An income tax exemption currently available to government employees who earn income while delivering Official Development Assistance overseas for more than 90 continuous days will be removed. From 1 July 2016 these employees will be taxed on foreign earnings as long as they continue to be treated as Australian residents. A foreign income tax offset may be available to reduce the Australian tax liability that arises on this income.

Australian Defence Force and Australian Federal Police personnel and individuals delivering Official Development Assistance for a charity or private sector contracting firm will maintain eligibility for the exemption.

Pensions

Asset test changes

Date of effect	From 1 January 2017

As previously announced, the Government will increase the asset test thresholds and the withdrawal rate at which pensions are reduced once the threshold is exceeded.

The taper rate will revert back to the pre 2007 level of $3 (from $1.50).

The maximum value of assets you can hold to qualify for a part pension will also be reduced. Approximately 91,000 current part pensioners will no longer qualify for the pension and a further 235,000 will have their part pension reduced.

Pensioners who lose pension entitlement on 1 January 2017 as a result of these changes will automatically be issued with a Commonwealth Seniors Health Card or a Health Care Card for those under Age Pension age.

For pensioners with modest assets, the change will increase their pensions.

The value of assets you can have in addition to your family home in order to qualify for a full pension will increase from $202,000 to $250,000 for single home owners and from $286,500 to $375,000 for couple home owners.

Pensioners who do not own their own home will also benefit by an increase in their threshold to $200,000 more than homeowner pensioners. This increases the gap between homeowners and non-homeowners thresholds by more than a third, recognising their higher living costs.

All couples who own their own home with additional assets of less than $451,500 will get a higher pension. Couples who don't own their own home and have asset holdings up to $699,000 in January 2017 will be better off. For singles the maximum threshold point, below which pensioners will be better off, will be $289,500 for home owners and $537,000 for non-homeowners.

More

- Media release - Fairer access to a more sustainable pension

Working holiday tax changes

Date of effect	From 1 July 2016

The tax residency rules will change to treat most people who are in Australia temporarily for a working holiday as non−residents for tax purposes, regardless of how long they are here. This means that those on working holidays lose access to the tax-free threshold, low income tax offset and lower tax rates. Instead, they will pay 32.5% tax on every dollar they earn.

Students

Higher Education Loan recovery from overseas debtors

Date of effect	From 1 July 2017

The Higher Education Loan Programme (HELP) repayment framework will be extended to debtors residing overseas. From 2016/2017, HELP debtors residing overseas for 6 months or more will be required to make repayments of their HELP debt if their worldwide income exceeds the minimum repayment threshold at the same repayment rates as debtors in Australia. The change is expected to recover $26m over 4 years.

This change was previously announced on 2 May 2015.

More

- Media release - New plan to recover HECS debt from Aussies living abroad

Changes to NewStart postponed

Date of effect	From 1 July 2016

Postponed but not forgotten, the Government has delayed the previously announced changes to the age of eligibility for the NewStart and Sickness Allowances. Originally, the age of eligibility for the allowances was to increase from 22 to 25 years of age from 1 January 2015 but has been delayed.

Current recipients of the NewStart and Sickness Allowances aged 22 to 24 years of age on 30 June 2016 will remain on those allowances.

Income support access for job seekers softened

Date of effect	1 July 2016

Last year's Budget sought to make those under 25 with no significant barriers to employment wait 6 months before accessing any benefits. The position has now softened requiring a 4 week waiting period before receiving support.

Families

Changes to child care

Date of effect	1 July 2017

New subsidy replaces 3

A new single Child Care Subsidy (CCS) will be introduced to replace the existing Child Care Benefit, Child Care Rebate and the Jobs, Education and Training Child Care Fee Assistance payments. The current child care related benefits will cease on 30 June 2017.

The new subsidy is means and activity tested to align it with hours of work, study etc. An indexed cap also applies to the hourly fees that can be claimed of $11.55 for long day care, $10.70 for family day care and $10.10 for outside school hours care.*

For families with an annual income of up to $65,000 who meet the activity test, the subsidy covers 85% of the actual fee paid up to an hourly fee cap. The subsidy then tapers to 50% for families with annual incomes of $170,000 where it stays until family income reaches $185,000. Families with income levels of $185,000 or more will have the CSS capped at $10,000 per child per annum.

* Based on 2017/2018 fee and income levels

Home based care trial

As previously announced, the Government is also introducing a trial of a home based carer subsidy that provides funding for a nanny in a child's home from 1 January 2016. The pilot program is limited to approximately 10,000 children. Families selected for the program have difficulty accessing childcare with sufficient flexibility (shift workers such as nurses and paramedics etc.,). Support will be based on the CSS parameters and provides $7 per hour per child.

Child care safety net

Additional funding will provide targeted support to disadvantaged or vulnerable families. The assistance will be provided through the Child Care Safety Net, which consists of three programmes:

- The Additional Child Care Subsidy (ACCS) - additional assistance to supplement the Child Care Subsidy for eligible disadvantaged or vulnerable families
- A new Inclusion Support Programme (ISP) – assistance for families of children with special needs
- The Community Child Care Fund (CCCF) - grants to child care services to improve access to child care in disadvantaged communities

No jab no pay

Date of effect	From 1 January 2016

As previously announced, families will no longer be eligible for subsidised child care or the Family Tax Benefit Part A end of year supplement unless their child is up to date with all childhood immunisations.

More

- No jab – no play and no pay for childcare

‘Double dip’ on parental leave pay

Date of effect	1 July 2016

Saving $967.7m over four years, primary carers with employer provided paid parental leave will be prevented from claiming Government support.

Large family supplement axed

Date of effect	1 July 2016

The Large Family Supplement of Family Tax Benefit Part A will be axed. Families will continue to receive a per child rate of FTB Part A for each eligible child in their family.

Changes to parental income testing for youth payments

Date of effect	1 January 2016 – change to parental income support tests 1 July 2016 – changed tests for families with a child receiving income support and other siblings qualify to receive FTB A 1 January 2017 – introduction of a maintenance income test

Parental income testing arrangements will be amended to provide more support for families with dependent young people who qualify for certain income support payments, including Youth Allowance, ABSTUDY Living allowance (ABSTUDY), and the Assistance for Isolated Children Scheme.

From 1 January 2016, families with dependent children receiving income support payments would be subject to the Parental Income Test arrangements currently in place for FTB Part A and will no longer be subject to the Family Assets Test or Family Actual Means Test.

From 1 July 2016, where a family has a dependent child who receives an individual income support payment and younger siblings who qualify the family to receive FTB Part A, one Parental Income Test will be applied taking into account all income support benefits the family receive. This will result in a lower rate of reduction to the dependent child's individual payment than is currently the case where separate Parental Income Tests are applied to each payment.

From 1 January 2017, a Maintenance Income Test will be introduced for dependent children receiving individual income support payments. This test will apply to that child only and not include other child support amounts provided in relation to other children in the family. The same Maintenance Income Test already applies to FTB Part A. This will be of particular benefit to rural and regional families whose children continue to study beyond year 12.

Benefits cut for those outside of Australia

Date of effect	1 January 2016

Family Tax Benefit A will be reduced for people outside of Australia. Families will only be able to receive FTB A for 6 weeks in a 12 month period while they are overseas. Currently, FTB A recipients who are overseas are able to receive their usual rate of payment for 6 weeks and then the base rate for a further 50 weeks.

Portability extension and exception provisions, which allow longer portability under special circumstances, will continue to apply.

Infrastructure

Developing Northern Australia

Date of effect	1 July 2015

The Government is very keen for to increase investment by the private sector in infrastructure projects in Northern Australia. A concessional loan facility of up to $5 billion is being established for infrastructure projects, with applications opening from 1 July 2015.

The measure is part of the Government's White Paper on Developing Northern Australia

More

- White Paper - Developing Northern Australia

WA infrastructure

Date of effect	2014/2015

As previously announced, to help adjust for the downturn in the resources sector, $499.1m has been provided for economic infrastructure projects in Western Australia.

More

- Media Release – Commonwealth support for infrastructure projects in Western Australia

Other

Investment review fees & penalties introduced

Date of effect	1 December 2015

As previously announced, the Government is introducing application fees on all real estate, business and agricultural foreign investment proposals – expecting to raise $735m over 4 years.

Increased criminal penalties and a new civil pecuniary penalties regime will also be introduced for breaches of the Foreign Acquisitions and Takeovers Act 1975. A reduced penalty period for foreign investors that have previously breached the foreign investment rules in relation to residential real estate has been provided until 30 November 2015. These investors may avoid prosecution, but will be required to divest the property.

More

- Media release – Government strengthens the foreign investment framework

Technology to transform how you interact with Government

The Government is committing $254.7 over 5 years to implement an agenda that uses technology to streamline how you interact with Government. The funding includes the creation of a Digital Transformation Office within the Communications portfolio. Among the initiatives, the Government is looking to:

- Implement a 'tell us once' service so you can update your contact details once for all agencies
- Streamline grants administration including a single portal to search and apply for all grants
- A whole of Government digital mail box to enable you to receive and transact digital messages with the Government in a secure and seamless environment

This measure is part of an ongoing program announced as part of the Coalition's election policies.

The economy in brief

- Deficit of $35.1 bn in 2015/2016 reducing to $6.9 bn by 2018/2019
- Real GDP expected to grow by a modest 2.75% in 2015/2016, which is 0.25% slower than expected 12 months ago.
    - Stronger non-mining business investment expected to drive growth in 2016/2017 to 3.25%
- Unemployment rate currently better than predicted at 6.25% but expected to push higher in 2015/2016 before falling again.
- Tax receipts downgraded by $52 billion since the 2014 Budget - $20 bn a result of the iron ore spot price almost halving:
    - Iron ore investments and exports directly contributed 15% to economic growth over the last decade
    - Australia accounts for 1/3 or world iron ore production
- Australia's major trading partners are expected to grow by 4.5% in 2015 and 2016.
- Total exports expected to increase by 5% in 2015/2016 and 6.5% in 2016/2017
- Non-mining business investment has increased but remains uncommitted