



BARKER & JENNINGS  
CHARTERED ACCOUNTANTS

# Knowledge

## Budget 2015: who is in the firing line?

If you are a high income earner, earn income from overseas, or have a large asset base, then, if the rumours have any truth to them, you're in the firing line in the 2015/2016 Federal Budget.

The Australian economy is coming off its resources boom 'sugar hit' and as Reserve Bank Governor Glenn Stevens said recently, "the government has little choice but to accept the slower path of deficit reduction over the near term." The declining iron ore price has blown a \$30bn tax receipts hole in the budget over 4 years. So, the question is, where can the Government get savings into the Budget that will pass the Senate while being palatable to voters?

Prime Minister Tony Abbott recently said, "There will be tough decisions in this year's budget as there must be, but there will also be good news." This Federal Budget is not about what the Government believes is necessary but what they can get through the Senate. Large structural reforms to tighten welfare, education and health have failed in the Senate in their current form. This budget will be about moving thresholds and imposing restrictions on the existing system.

## Families

The Prime Minister calls the "families package" the centrepiece of the upcoming budget with child care facing "significant changes." While the Government has stated that this will be a better deal it is likely to be a reformulation of how child care support applies. If the budget measures follow the Productivity Commission's recent recommendations the Government will introduce a single means tested and activity based system.

The Minister for Social Services, Scott Morrison also recently released details of an in-home nanny program to support shift workers. The two year trial will support home care for children of shift workers, such as nurses and police, etc.

## Your superannuation

Paving the way for the Government to change how superannuation is taxed, Australia's leading body for the superannuation industry, the SMSF Association, recently stated that, "The tax treatment of very high account balances should be the starting point for discussions around adjustments to superannuation tax concessions, rather than blanket changes that impact on all members." Their analysis of very high superannuation account balances found that 24,000 SMSF members in the pension phase with balances in excess of \$2m received around \$5.2bn in tax-free income stream payments, or an average of around \$216,000. *Continued over...*

## Quote of the month

"I believe things cannot make themselves impossible."

*Stephen Hawking*

## Contributing to super - what you need to know

Topping up your superannuation just got a little less dangerous with new rules that allow excess non-concessional contributions to be refunded.

Before the change, a huge number of people were penalised by excess concessional contributions tax because they contributed over the allowable level of contributions. It was not uncommon to see \$70,000 tax bills from what was a relatively small over contribution. And, there was very little you could do about it even if the contribution was not deliberate.

The new rules mean that members can have the excess contributions refunded to them PLUS 85% of the associated earnings on those amounts. The full earnings will then be included in your assessable income and taxed at your marginal tax rate. You will then be entitled to a non-refundable tax offset equal to 15% of the associated earnings. Simple right? Maybe not but it's a lot easier to understand than a \$70,000 tax bill for going even \$1 above your contributions limit.

These new rules apply to excess non-concessional contributions made from the 2013/14 financial year onwards. So, if you were affected by excess contributions tax, something can be done about it.