Grow with Marinis

From:	Grow with Marinis
Sent:	Thursday, 23 May 2013 1:25 PM
To:	Grow with Marinis
Subject:	eGrow - Budget 2013, More Broken Promises

Dear Friends

Now that we have heard Treasurer Swan's sixth (and, if the polls are correct, most likely final) Budget, as well as Opposition Leader's Tony Abbotts response, I thought I would summarise what it all means for you.

My first observation is yet again, more broken promises by both sides of politics.

You will remember from my earlier edition of eGROW on 11th April 2013 (attached), the Government claimed they would go to the election with the proposed super changes and the Opposition responded they would not introduce these policies.

Well, here we are, a month later and the policies are part of the 2013 Budget and the Opposition has "due to the budget emergency" decided it will let all these policies pass and will reserve the right, not to reverse them if they are elected!

I guess after all, they are politicians....

Having said that, I would remind you of my opening paragraphs in the "Canberra's Latest Challenge" eGROW of 11th April 2013:

"Just about everyone will have read, seen or heard the latest superannuation changes being proposed by the Federal Government in last week's announcement.

I would like to make three brief points:

- ***Don't panic***
- ***Super remains the best investment opportunity going around; and***
- ***Super really does need a rethink.***

The first point I should make is that the negative changes will affect very few people - at least for the next decade. I have read that about 16,000 Australians with super funds generating more than $100,000 pa will be affected therefore leaving almost five million of us unaffected.

On the positive side, older workers will be allowed to contribute more to super, which is a real positive."

For those of you who are potentially adversely affected by the changes announced last week, you can rest assured that Marinis Financial Group is already working on a number of strategies we will look to implement, to mitigate, or eliminate any potential adverse impacts on our client's investments and super!

Of course, we will need to analyse the final regulations when, and if, they are passed by parliament over the next few months to decide what can and needs to be done (if anything!) in each person's circumstances.

As always, you can rest assured that we will let you know, when appropriate, what may be required in your particular situation?

All the important details of the Federal Budget are in the attached 'BT Select Budget Summary.' However, the main points from the Budget as I see them for our clients and their families are as follows.

First the BAD news:

1. 15% tax on income and REALISED capital gains in excess of $100,000 per annum within what are currently 100% tax exempt pensions (eg: Account Based Pensions);
2. The termination of the baby bonus from 1st March 2014; and
3. Deeming by Centrelink of Income Streams (such as Account Based Pensions) that are commenced after 1st January 2015.

The GOOD news includes:

1. An increase in the Concessional (Tax Deductible Super) Contribution cap as follows:
   From 1st July 2013, for those over 60 to $35,000 from the current $25,000;
   From 1st July 2014, for those over 50 to $35,000 from the current $25,000.
2. The national disability scheme "DisabilityCare Australia" will be introduced (even though this means an increase in the Medicare Levy from 1.5% pa to 2.0% pa); and
3. From 1st July 2013, the horrendous Excess Contribution Tax (ECT) penalty regime, which I have been lobbying against for the last two years, will be replaced with a much fairer treatment.

   (**NOTE**: The ECT system has NOT YET been similarly amended with respect to Non-Concessional Super Contributions. However, watch this space for the next phase in my campaign to continue the pressure on governments to remove the disgraceful NCC tax regime as well!)

In summary, as in all budgets, there are some potential winners and potential losers. However, as I always remind my clients, there is no need to panic!

You can be confident that MFG will do everything legally possible; to ensure your investment strategies are minimally impacted and thus ensure your lifestyle plans will not be compromised.

I am convinced that some of the strategies we have already implemented for you and some of the new strategies we are currently formulating in response to these changes will see to that.

You can however, rest assured that when the full details of the changes are legislated, if you are personally affected (the vast majority of our clients will not be) MFG will be in touch to explain what it means for you personally and more importantly our plans to mitigate any potential negative impacts

As always, if you have any questions please do not hesitate to contact either myself or any of the team here at Marinis Financial Group.

Yours sincerely

Theo Marinis B.A, B.Ec, CPA, FPA®
Financial Strategist
Authorised Representative

GROW @ Marinis

Financial Strategies (SA) Pty Ltd | **ABN** 54 083 005 930
Trading as **Marinis Financial Group** | Australian Financial Services Licence No: 326403

P 08 8130 5130 | **F** 08 8331 9161 | **E** grow@marinisgroup.com.au
A 67 Kensington Road, Norwood SA 5067 | **W** marinisgroup.com.au

If you do not wish to receive further messages of this nature, send a reply email with the word UNSUBSCRIBE in the subject box.

This message is confidential and may be privileged. It is intended only for the use of the addressee named above. If you are not the intended recipient, any unauthorised dissemination, distribution or copying is illegal. We do not guarantee the security or completeness of information hereby transmitted and we are not liable in either respect for any delay. Nothing in this message is intended as an offer or solicitation for the purchase or sale of any financial instrument. Any market prices or data, unless specifically verified and identified as such, are not warranted as to completeness or accuracy. It is the responsibility of the recipient to virus scan this email.

Grow with Marinis

From:	Grow with Marinis
Sent:	Thursday, 11 April 2013 9:51 AM
To:	Grow with Marinis
Subject:	Canberra's Latest Challenge
Attachments:	2013 04 10 _ Government Announces Super Changes.pdf; image003.jpg

Dear Friends

Just about everyone will have read, seen or heard the latest superannuation changes being proposed by the Federal Government in last week's announcement.

I would like to make three brief points:

- Don't panic
- Super remains the best investment opportunity going around; and
- Super really does need a rethink.

The first point I should make is that the negative changes will affect very few people - at least for the next decade. I have read that about 16,000 Australians with super funds generating more than $100,000 pa will be affected therefore leaving almost five million of us unaffected.

On the positive side, older workers will be allowed to contribute more to super, which is a real positive.

(The details are well summed up in the attached summary from SPAA)

That having been said, if I am reading the polls correctly, it is very unlikely that Superannuation Minister Bill Shorten and the Gillard Government will be in a position to introduce the legislation to enable this to occur. Opposition finance spokesman Mathias Cormann has said they will not introduce the same rules.

(Note: You can see my recent correspondence with Senator's Shorten and Cormann at www.marinisgroup.com.au)

Turning now to the second point: don't let all this negative publicity scare you, super remains **THE** most tax effective way of growing your wealth and as is often overlooked, drawing it down when you get older. Presently, the first $25,000 you put into super is only taxed at 15% (as are its earnings) rather than your marginal rate which could be up to 45%. You get a lot more 'bang' for your hard earned dollar when it's put into super.

Furthermore, when it comes time to draw down on super, as long as you are over 60, it is tax free. (Don't forget you can also put up to $450,000 of after-tax money into super as well in certain circumstances, which will also remove its taxable status!)

Finally the third point: Governments of both persuasions have over the years used super as a "piggy bank" to raid and as a political tool to appeal to different groups of voters.

I think we really need the next government to hold a summit which involves all parties and interest groups and to collectively decide how to fix super once and for all – and then commit to a bi-partisan approach… and to leave it alone for a decade at least.

Super is too important a part of Australian's lives for this constant tinkering to go on.

I have attached a really good summary of the proposed super changes but, as always, if you have any questions please do not hesitate to contact either myself or any of the team here at Marinis Financial Group.

Theo Marinis B.A, B.Ec, CPA, FPA®
Financial Strategist
Authorised Representative

GROW @ Marinis

Financial Strategies (SA) Pty Ltd | **ABN** 54 083 005 930
Trading as **Marinis Financial Group** | Australian Financial Services Licence No: 326403

P 08 8130 5130 | **F** 08 8331 9161 | **E** grow@marinisgroup.com.au
A 67 Kensington Road, Norwood SA 5067 | **W** marinisgroup.com.au

If you do not wish to receive further messages of this nature, send a reply email with the word UNSUBSCRIBE in the subject box.

This message is confidential and may be privileged. It is intended only for the use of the addressee named above. If you are not the intended recipient, any unauthorised dissemination, distribution or copying is illegal. We do not guarantee the security or completeness of information hereby transmitted and we are not liable in either respect for any delay. Nothing in this message is intended as an offer or solicitation for the purchase or sale of any financial instrument. Any market prices or data, unless specifically verified and identified as such, are not warranted as to completeness or accuracy. It is the responsibility of the recipient to virus scan this email.

MARINIS
FINANCIAL GROUP

Government announces Super changes

On Friday 5 April 2013 the Minister for Financial Services and Superannuation, the Hon Bill Shorten MP, and the Deputy Prime Minister and Treasurer, the Hon Wayne Swan MP, announced the Government's proposed changes to the superannuation laws. The Government have aimed the changes at creating what they believe will be a more equitable and sustainable retirement income system.

The following is a summary of the announced changes to superannuation

1. **Changes to the tax exemption for earnings on superannuation assets supporting income streams**

   From 1 July 2014, earnings on assets supporting income streams above $100,000 per year will be taxed at a rate of 15 per cent. This is in contrast to the current rules where all earnings from assets supporting superannuation income streams are tax-free. The Government estimates that this measure will only affect 16,000 superannuation members who are estimated to have superannuation balances of $2 million and over.

   The Government has said it will ensure that members of defined benefit funds will be equally impacted by this change as members of accumulation funds. This will be achieved by calculating notional earnings for each year a defined benefit member is in receipt of a concessionally taxed superannuation pension.

   The measure grandfathers the CGT treatment of existing assets supporting income streams until 1 July 2014. This will cause the CGT treatment of assets supporting income streams to have a three tiered structure over the next 10 years so that for:

   - assets that were purchased before 5 April 2013, the reform will only apply to capital gains that accrue after 1 July 2024;
   - assets that are purchased from 5 April 2013 to 30 June 2014, individuals will have the choice of applying the reform to the entire capital gain, or only that part that accrues after 1 July 2014; and
   - assets that are purchased from 1 July 2014, the reform will apply to the entire capital gain.

2. **Increasing the concessional caps for certain superannuation members**

   The concessional contribution cap will be increased so that:

   - From 1 July 2013 taxpayers aged 60 and over will have a $35,000 cap; and
   - From 1 July 2014 taxpayers aged 50 and over will have a $35,000 cap.

   This will replace the Government's previous proposal of a higher cap for over 50s with balances under $500,000. The Government abandoned this proposal due to industry criticism that the proposed measure was too complex and difficult to administer.

   The general concessional cap is expected to reach $35,000 by 1 July 2018.

3. Reform of the Excess Contribution Tax treatment of excess concessional contributions.

The new Excess Contribution Tax (ECT) regime for concessional contributions will allow taxpayers that have exceeded their concessional contribution cap after 1 July 2013 to withdraw the excess contribution from their superannuation fund with the excess contribution being taxed at the taxpayer's marginal rate. In addition, an interest charge will be levied on the excess contribution to recognise that tax on excess concessional contributions is collected at a later date than normal income tax.

The result of these changes is that an excess concessional contribution will be taxed in the same way that a non-concessional contribution would have been taxed.

4. Council of Superannuation Custodians

The Government has proposed to establish a Council of Superannuation Custodians to ensure that future changes to superannuation are consistent with a Charter of Superannuation Adequacy and Sustainability.

The Council will be responsible for assessing future superannuation policy changes against principles of certainty, adequacy, fairness and sustainability. The Council will provide an annual report to be tabled in Parliament.

5. Extending normal deeming rules to superannuation account based income streams

The Government has proposed to extend the normal deeming rules to superannuation account-based income streams for the purposes of the pension income test. The Government said this was to ensure all financial investments are assessed fairly and under the same rules.

From 1 January 2015 the standard pension deeming arrangements will apply to new superannuation account-based income streams assessed under the pension income test rules.

All products held by pensioners before 1 January 2015 will be grandfathered indefinitely and continue to be assessed under the existing rules for the life of the product so no current pensioner will be affected, unless they choose to change products.

6. Extending concessional tax treatment to deferred lifetime annuities

The Government will provide the same concessional tax treatment that superannuation assets supporting superannuation income streams receive for deferred lifetime annuities. This will apply from 1 July 2014.

7. Changes to the arrangements for lost superannuation

The Government will further increase the account balance threshold for lost superannuation to be held by the Australian Taxation Office to $2,500 from 31December 2015, and to $3,000 from 31 December 2016.

How can we help?

If you would like some assistance with identifying how these recent changes are likely to affect your own superannuation, please feel free to give me a call to arrange a time to meet so that we can discuss their impact on your particular circumstances. We can then determine whether you need to make any changes to your existing arrangements.

Federal Budget Update 2013

Investor debrief

15 May 2013

Key highlights

- **Personal tax rate changes deferred for at least three years**
- **Future increase in Medicare levy**
- **Limited deductibility for self education expenses**
- **Confirmation of April superannuation announcements**
- **Age pension relief for pensioners considering downsizing their principal residence**

Overview

The 2013 Federal Budget was the 6th Budget delivered by the current Treasurer and incumbent Government. Delivered exactly 4 months out from the next Federal election, it may prove to be their "swan song".

The announcements made on 14 May 2013 were largely non-surprising with virtually all major announcements (from a wealth perspective) having been rumoured and confirmed in the days and weeks leading up to this night.

Of major significance, the Government is moving ahead with its proposal to fund the DisabilityCare Australia program (formally known as the National Disability Insurance Scheme – or NDIS) with a 0.5% increase in the Medicare Levy from 1 July 2014.

Personal marginal tax rates and thresholds that were due to increase from 1 July 2015 have been deferred and are currently predicted not to come into effect until at least 1 July 2018.

Whilst the Government is looking to improve education funding generally through implementing many reforms from the Gonski report, many people may actually find that the personal cost of education will increase.

For age pensioners that have previously considered downsizing their principal residence, the Government has announced a trial of a new scheme that allows for some of the proceeds from the sale of a principal residence to be invested in a special account, and for that amount (and earnings on it) to be exempt from Centrelink means testing for a period of 10 years.

Finally, one potential positive from this year's Budget (and seemingly inconsistent with previous years) is that there were no further significant changes announced to Australia's superannuation system. Of course, that may be because they were previously announced on 5 April this year and there was nothing more to be done.

The fact that this Budget contained many small measure that are broad in their application means it is likely that everyone will feel an impact at some point. However, virtually all measures announced will still need legislation to be introduced, and will have to pass through Parliament and there is no doubt that Parliament will be very busy in its remaining time before the September election.

Together, these final comments highlight why it is important to seek financial advice personalised to your circumstances and goals to ensure you can have confidence in decisions about your financial future.

Budget measures and announcements

Taxation

Deferral of changes to personal income tax regime

Deferred from 1 July 2015 until certain requirements met

Announced in the week before the 2013 Budget, the changes to personal marginal tax rates and thresholds has been deferred from their intended start date of 1 July 2015. Funding for these changes was linked to the price for carbon and the revenue expected to be generated from the Carbon Pricing Scheme. As the projected price of carbon is lower than initially expected, the changes in personal tax rates and thresholds will not commence until the price of carbon in a future Budget is estimated to be above $25.40. Based on current projections, this will not be until at least 1 July 2018 and may be later.

The current and future thresholds are shown in the following table:

Current marginal tax scales		**Future marginal tax scales when carbon price threshold reached**	
Taxable income	**Marginal tax rate**	**Taxable income**	**Marginal tax rate**
$0 - $18,200	0%	$0 - $19,400	0%
$18,201 - $37,000	19%	$19,400 - $37,000	19%
$37,001 - $80,000	32.5%	$37,001 - $80,000	33%
$80,001 - $180,000	37%	$80,001 - $180,000	37%
$180,001 and above	45%	$180,001 and above	45%

*Table excludes Medicare levy

Whilst not specifically stated, it is expected the previously announced and legislated changes to the low income tax offset will also be deferred until the same thresholds are reached.

Increase in the Medicare levy for DisabilityCare Australia

Effective date: 1 July 2014

As announced in the lead up to the Federal Budget, the Government will increase the rate of the Medicare levy by 0.5% from 1.5% of taxable income to 2.0% of taxable income with effect from 1 July 2014. This increase will be used

to fund DisabilityCare Australia (previously known as the national disability insurance scheme or NDIS).

This increased levy will apply to all taxpayers who are subject to the Medicare levy based on their taxable income, and will result in a reduction of after tax income. The following table shows the additional amount of overall tax that will be payable on certain levels of taxable income.

Taxable income	Impact of 0.5% increase in Medicare levy
$50,000	$250
$80,000	$400
$110,000	$550
$140,000	$700
$170,000	$850
$200,000	$1,000

Net Medical Expense Tax Offset

Effective from 1 July 2013

After making significant reforms to the Net Medical Expense Tax Offset (NMETO) in the 2012 Budget, the Government has now decided that from 1 July 2013 the NMETO will be phased out completely.

Whilst the NMETO will continue to be available until 30 June 2019 for out of pocket medical expenses related to disability aids, attendant care or aged care expenses, it will only be available for the year commencing 1 July 2013 if a claim is made for the current year (ie the year ended 30 June 2013).

Limitations on deductions for work-related self-education expenses

Effective from 1 July 2014

Announced on 13 April 2013, an annual cap on the deduction for work-related self education expenses will apply from 1 July 2014. Deductions will be limited to $2,000 per annum. This could have a significant impact for you where those education expenses include travel and accommodation costs, and where they may include post graduate studies.

Changes for non-resident taxpayers on sale of Australian property

From 1 July 2016

With effect from 1 July 2016, where a non-resident sells a property located within Australia, a new (non-final) withholding tax regime will apply. This measure is designed to ensure that the appropriate amount of tax is recovered

by the Australian Government on taxable capital gains that arise when such properties are sold.

These measures will apply to all Australian taxable property, other than:

- where the property is owned and sold by an Australian resident (ie it applies to non-resident taxpayers only)
- residential properties valued at less than $2.5 million.

Under this measure, the purchaser of the property will need to withhold 10% of the purchase price and forward it to the ATO as a form of withholding tax. As a result, the vendor will only receive 90% of the sale proceeds up-front. They will need to lodge a tax return if they want to receive any of the remaining 10%.

As an example, if a non-resident purchased a factory today for $1 million and sold it in 2 years time for $1.1 million, the non-resident would only receive 90% of the sale price (ie $990,000) with the remaining 10% (or $110,000) withheld by the purchaser and remitted to the ATO.

Whilst there may be an incentive as a result for non-residents to lodge tax returns in Australia, there is a risk that if they are unwilling or reluctant to do so, they mayl look to achieve an increased sale price to compensate for the amount of tax withheld.

Targeting dividend washing arrangements

Effective from 1 July 2013

The Government intends to legislate to close an existing loophole in the dividend imputation rules that may currently be targeted by "sophisticated" investors. The intent is to prevent a "dividend washing" arrangement whereby an investor sells a parcel of shares ex-dividend and then immediately purchasing an identical parcel of shares cum-dividend (ie still carrying the right to a dividend). This practice currently enables some investors to qualify for a doubling of their franking credit entitlements. Under the proposed measure, only one set of franking credit entitlements may arise.

Whilst intended to only apply to "sophisticated" investors, the actual qualification criteria indicated by the Government is that it will apply to investors with franking credit entitlements in excess of $5,000 on a single stock parcel. As a result, its application may be wider than first anticipated.

Removal of discount for early HELP payments

Effective from 1 January 2014

Currently discounts are available for up-front and voluntary payments made under the Higher Education Loan Program. These discounts currently are:

- 10% for students electing to pay their student contribution up-front; and
- 5% on voluntary payments to the ATO of $500 or more.

From 1 January 2014, these discount arrangements will be removed.

Superannuation

No extension of draw-down relief for income streams

Effective from 1 July 2013

Conspicuous by its absence, the Government has not announced any further extension of the minimum draw down relief for superannuation income streams. In recognition of the constrained markets at the time, over the last few years the Government has granted relief on minimum pension payment drawdowns, with a 25% reduction applying to the current financial year.

In the absence of any subsequent announcements, minimum pension drawdowns will return to their standard level from 1 July 2013 as shown in the following table:

Age of beneficiary at 1 July	Current minimum percentage	Minimum percentage from 1 July 2013
Under 65	3	4
65 - 74	3.75	5
75 -79	4.5	6
80 – 84	5.25	7
85 – 89	6.75	9
90 – 94	8.25	11
95 or more	10.5	14

Higher tax on concessional contributions for high income earners

Effective 1 July 2012

Previously announced in the 2012 Budget and recent the subject of draft legislation released for consultation, individuals with "total income" in excess of $300,000 will be subject to an additional 15% tax on their concessional contributions to super up to their relevant concessional contribution cap limit.

The draft legislation released for comment has also confirmed that this additional tax will be collected via a mechanism similar to that currently applying to excess contributions tax.

It will also be important to be aware that the potential for this additional tax will also apply to the higher concessional cap of $35,000 proposed for those aged 60 and above from 1 July 2013 and those aged 50 and above from 1 July 2014.

Changes to tax free treatment of superannuation in pension phase

Effective from 1 July 2014

As previously announced on 5 April 2013, the existing tax free treatment applying to assets supporting a superannuation income stream will be limited to the first $100,000 of earnings on those assets. Any earnings above that limit will be subject to the standard 15% tax rate applying to complying superannuation funds. The $100,000 threshold will be indexed to CPI and increase in $10,000 increments. Transitional rules will apply in respect of capital gains that accrue on assets acquired before the commencement of this measure (ie pre 1 July 2014).

Whilst not providing details on how this tax will be collected when it applies, the Budget announcements have confirmed that the $100,000 threshold applies across all pension accounts held by an individual – not per pension account.

Changes to concessional contribution caps

Effective from 1 July 2013

As announced on 5 April 2013, from 1 July 2013 a higher concessional contribution cap of $35,000 will apply to people aged 60 and over. This higher cap will then become available to people aged 50 and over from 1 July 2014.

This cap will not be indexed in future years, and it is projected that the existing $25,000 concessional cap will reach $35,000 in July 2018. At that time, the same cap will again apply to everyone regardless of age.

Whilst this higher cap is less than that previously due to come into effect from 1 July 2014 (being $50,000), the requirement to have less than $500,000 in total superannuation savings has been removed.

Changes to excess concessional contributions

Applies to excess concessional contributions made from 1 July 2013

From 1 July 2013, individuals will have the ability to withdraw any excess concessional contributions and have them taxed personally at their marginal tax rate. An interest charge would also apply to the excess amount, reflecting the delay in the collection of the relevant tax by the Australian Taxation Office (ATO).

This will replace the current limited withdrawal option which is only available where clients exceed their cap by less than $10,000 and is only available once. The new measure can be used each time a client exceeds their concessional contributions cap.

Social Security and welfare payments

Deeming superannuation account based income streams

Effective for new income streams commencing from 1 January 2015

For Centrelink income test purposes, superannuation income streams are concessionally treated as a result of the calculation of a "deductible amount" that reduces the income amount assessed for benefit calculation purposes.

This concession will continue indefinitely for existing income streams. However, new superannuation account-based income streams starting on or after 1 January 2015 will be assessed under deeming arrangements applying to other financial investments.

This change is in line with a recommendation from the previous Australia's Future Tax System Review (Henry review), and was previously announced on 5 April 2013.

Continued pausing of indexation of Child Care Rebate

Effective from 1 July 2013

For a further three years, the Government will freeze any indexation of the Child Care Rebate. The maximum level of rebate that can be paid in a year will remain at $7,500 until 30 June 2017. This won't reduce the level of payment currently available, nor change the method of calculation, but correspondingly won't lead to an increase in entitlements.

Increased level of income before allowance payments reduced

Effective from 20 March 2014

Currently, allowance recipients can earn $62 per fortnight before there is reduction in the amount of the allowance payment they can receive. For the first time in over ten years, this threshold will be lifted. With effect from 20 March 2014, the threshold will increase by $38 per fortnight to $100 per fortnight. This equates to an annual increase in income under the income free threshold of $988.

In addition, from 1 July 2015, this new $100 threshold will also be indexed annually in line with movements in the CPI.

The payments impacted by these changes are Newstart Allowance, Sickness Allowance, Parenting Payment Partnered, Widow Allowance, Partner Allowance Benefit and Partner Allowance Pension.

Reduction in time overseas before payments are impacted

Effective from 1 July 2014

Currently, it is possible for certain benefit recipients to be temporarily absent from Australia for up to three years before benefit payments cease. From 1 July 2014, this will be reduced to one year for certain payments, including Family Tax Benefit Part A, Schoolkids Bonus and Paid Parental Leave.

Continued indexation pausing on certain benefit thresholds

Effective from 1 July 2013

For a further three years (until 30 June 2017), the Government will pause any further indexation of the higher income thresholds for family payments and supplement amounts.

The existing $150,000 upper income test limit for Family Tax Benefit Part B, dependency tax offsets, Paid Parental Leave Scheme and Dad and Partner Pay will remain. The Family Tax Benefit Part A upper income free area will remain at $94,316 plus an additional $3,796 for each child after the first.

Replacement of existing Baby Bonus

Effective from 1 July 2014

From 1 July 2014, the existing Baby Bonus scheme will be removed. Instead, for families eligible for Family Tax Benefit Part A, increased benefits of $2,000 will be paid in the year following the birth (or adoption) of a child, and a $1,000 increase for second or subsequent children. The additional amounts will be paid as an upfront payment of $500 with the remainder to be spread over the next seven fortnightly payments.

The increase in Family Tax Benefit Part A will not be available for parents who have taken up the Paid Parental Leave option, but they will qualify for improved access to the Paid Parental Leave for subsequent children.

As an additional measure to make it easier for working mums with children born in close succession to qualify for Paid Parental Leave for subsequent children, the government will allow parents to count periods of government paid parental leave as work under the work test.

Changes to age eligibility for Family Tax Benefit Part A

Effective from 1 January 2014

From 1 January 2014, the age at which Family Tax Benefit Part A payments will cease in respect of children aged 16 and over will change. Payments will cease at the end of the year when the child completes schooling.

Individuals who no longer qualify may instead be eligible to receive the Youth Allowance.

Family Tax Benefit and Child Care Assistance tax claims.

Effective from the 2012/13 income year.

Family Tax Benefit and Child Care Assistance can be claimed through the income tax return process. From the 2012/13 financial year, families will have 12 months from the end of the financial year to file their claim rather than the current 24 months.

Pilot programme for Age Pension recipients downsizing their principal residence

Effective from 1 July 2014 to 1 July 2017

The Government will implement a 3 year pilot programme aimed at removing the Social Security disincentive for Age Pension recipients to downsize their principal residence. Under this measure, up to $200,000 of the proceeds from a principal residence sale may be deposited into a 'special account' (providers must be an authorised deposit taking institution, but other details are currently unknown). These accounts (including future earnings) will receive an exemption from Age Pension income and assets tests for up to 10 years.

To obtain access to the scheme, the following requirements must be met:

- At least 80% of the 'excess' sale proceeds (up to $200,000) must be deposited into a 'special account'
- The principal residence sold must have been owned by the Age Pension recipient for at least 25 years
- The Age Pension recipient must move into a new principal home, granny flat, or retirement village (i.e. it is not available to those who move into residential aged care)
- The means test exemption ceases if the account holder makes any withdrawals from the account.

Extension of the Pensioner Education Supplement for single parents

Effective from 1 January 2014

The Government announced an extension of the Pensioner Education Supplement (PES) of up to $62.40 per fortnight to all Newstart Allowance (NSA) single principal carer recipients. This measure expands on the current arrangement that limits access to the PES to single principal carer recipients of NSA who were receiveing the supplement prior to transitioning off Parent Payment single.

Extended Pensioner Concession Card entitlements for single parents

Effective from 1 January 2014

Single parents who become ineligible for parenting payment due to the age of their youngest child and who do not qualify for any other income support payment due to employment income will no longer immediately lose access to the Pensioner Concession Card. The budget measures allow eligible single parents to retain eligibility for a period of 12 weeks.

FOR GENERAL INFORMATION ONLY

This information has been prepared by BT Funds Management Ltd ABN 63 002916 458 and the information has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness having regard to your objectives, financial situation and needs.

The above information provides an overview or summary only and it should not be considered a comprehensive statement on any matter or relied upon as such. The information does not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it. Any taxation position described is a general statement and should only be used as a guide. It does not constitute tax advice and is based on current tax laws and our interpretation. Your individual situation may differ and you should seek independent professional tax advice.

For more information please consult your financial adviser.