Swan Song?

2013/2014 Federal Budget

Update

KNOWLEDGE SHOP

Swan Song?

Federal Budget 2013/2014

The 2013/2014 Federal Budget was potentially the Government's last chance to put through many of the social reforms on its agenda. It truly is a Swan Song.

The problem with an election year is how to push through reform without unsettling consumer confidence or unnecessarily upsetting the voting public pre election. Part of the answer is in $4.1bn worth of reforms impacting on predominantly large entities, foreign entities and non-residents under the *Protecting the Corporate Tax Base from Erosion and Loopholes Package.*

Very few of the cuts required will directly impact on the broader population.

Big ticket social reforms include:

- DisabilityCare Australia (previously announced)
- Gonski review education reform (previously announced)
- A Plan for Australian Jobs (previously announced)
- World Leading Cancer Care initiatives

As for the economy, the surplus predicted in the last Budget failed to materialise and instead we have a $18bn deficit.

Knowledgeshop.com.au

Budget highlights

- Large and multinational entities targeted to the tune of $4.1bn
- All large entities ($20m and over) to move to monthly PAYG instalments
- Medical expenses tax offset abolished
- Baby Bonus absorbed into family tax benefits
- $18bn Budget deficit

Contents

Business

Hey big spender – multi nationals, large corporates etc targeted

A series of changes introduced as part of the Protecting the Corporate Tax Base from Erosion and Loopholes Package specifically target the concessions and tax minimisation capacity of large entities. Most SMEs will not be directly affected by these changes.

The changes target:

- Profit shifting and the thin capitalisation rules
- The tax consolidation regime (some measures in the package are in response to the Board of Taxation post implementation review of the consolidation regime)
- Foreign resident capital gains tax
- The offshore banking unit (OBU) system that provides preferential tax rates to banking activities within a OBU
- 'Dividend washing' - selling shares with a dividend and then immediately buying equivalent shares that still carry a right to a dividend
- Deductions for exploration activity
- ATO funding boost to enforce the new legislation

Multi nationals and profit shifting – changes to thin cap

As part of the Government's *Protecting the Corporate Tax Base from Erosion and Loopholes Package,* perceived profit shifting by multinationals through the disproportionate allocation of debt to Australia will be targeted under a series of new measures. A number of other changes to the international tax system will also be made.

The changes are summarised below:

- Thin capitalisation rule changes:
  - Tighten all safe harbour limits:

Entity type	Safe harbour limit
General entities	Reduced from 3:1 to 1.5:1 on a debt to equity basis (or 75%to 60% on a debt to total asset basis).
Non-bank financial entities	Reduced from 20:1 to 15:1 on a debt to equity basis (or 95.24% to 93.75% on a debt to total asset basis)
Banks	Capital limit will increase from 4% to 6% of their risk weighted assets of the Australian operations
Outbound investors	Worldwide gearing ratio will be reduced from 120% to 100% (with an equivalent change to the worldwide capital ratio for banks)

  - Extend a worldwide gearing test to inbound investors.
  - Increase the *de minimis* threshold from $250,000 to $2 million of debt deductions. This will save many SMEs from having to comply with the thin capitalisation rules although they will still need to consider the transfer pricing provisions when it comes to funding arrangements with either foreign investors or foreign subsidiaries.

- The Board of Taxation will also conduct a review of the thin capitalisation arm's length test to clarify in what circumstances the test should apply and address compliance with the test.
- The reforms to the exemption available to Australian companies for their foreign non-portfolio dividend income (that is returns to Australian entities on equity interests greater than 10% that they hold in foreign entities) announced in the 2009/2010 Budget will be implemented as part of this package.
- The exemption is intended to apply to returns on foreign non-portfolio equity interests. The amendments will ensure that the exemption operates as intended and is not available to returns on debt interests or interests that are truly portfolio in nature.
- The exemption will also be expanded so that it applies where an Australian company receives foreign non-portfolio dividend income through an investment in a trust or partnership.
- The concession that allows a tax deduction for interest expenses incurred in deriving certain foreign exempt income will be removed.
- The OECD has recognised controlled foreign company (CFC) rules as a key pressure area in its work on base erosion and profit shifting. The CFC rules reduce the incentive for businesses to adopt aggressive restructuring arrangements to shift profits. Therefore, the remaining reforms to the CFC

rules and foreign source income attribution rules announced in the 2009/2010 Budget will be reconsidered after the OECD's analysis is completed.

See Protecting the corporate tax base from erosion and loopholes - measures and consultation arrangements. The consultation paper for these reforms was also released. See Protecting the corporate tax base from erosion and loopholes - addressing profit shifting through the artificial loading of debt in Australia.

Date of effect	Income years commencing on or after 1 July 2014

Closing consolidation loop holes

In the context of its response to the Board of Taxation's post implementation review of the tax consolidation regime, the Government has announced that the law will be amended to ensure that:

- consolidated groups will no longer be able to access double deductions by shifting the value of assets between entities
- non-residents will no longer be able to 'churn' assets between consolidated groups to allow the same ultimate owner to claim double deductions; and
- the consolidation regime's treatment of certain deductible liabilities will be amended so that they are not taken into account twice.

In addition, only net gains and losses will be recognised for tax purposes for certain intra-group liabilities and assets upon exit of a member from a consolidated group where the leaving entity becomes subject to the taxation of financial arrangements (TOFA) regime. To preserve how taxpayers have applied the current law, this amendment will apply to all income tax returns and requests for amended assessments lodged from the date of announcement. The Commissioner of Taxation will not have the power to alter the treatment of affected amounts in assessments made before the date of announcement.

The Government also announced that 2 Board of Taxation Reports on the consolidation regime had been released along with the Government's responses to the Board's recommendations. Of particular interest to the SME community are the Board's recommendations in relation to introducing a simplified version of the consolidation system for groups that have aggregated turnover of less than $50m and an alternative grouping system for groups with less than $2m aggregated turnover. The Government has stated that it will consider these issues further, "as legislative priorities and fiscal constraints allow". Don't hold your breath.

See The Board of Taxation's review of the consolidation regime.

Date of effect	From 14 May 2013

Foreign resident capital gains tax targeted

Two technical amendments will apply to CGT events with effect from 7.30pm (AEST) 14 May 2013 and a new withholding system to support the regime will apply from 1 July 2016.

In very broad terms, foreign residents are only subject to CGT in Australia on assets that are classified as 'taxable Australian property'. This includes shares in a company which pass the 'non-portfolio interest test' and the 'principal asset test'.

Amendments will be made to the principal asset test to ensure that indirect Australian real property interests are taxable if disposed of by a foreign resident. In particular, the amendments will:

- remove the ability to use transactions between members of the same consolidated group (e.g., intercompany loans) to create and duplicate assets which dilute the proportionate value of the taxable Australian real property assets of the group; and
- ensure that the value of mining, quarrying or prospecting information and goodwill will be taken into account when determining the total value of taxable Australian real property assets of an entity. At the moment, only the value of the right to extract the minerals in the ground is included in the principal asset test, but not the knowledge of the minerals in the ground.

Date of effect	From 14 May 2013

In addition, from 1 July 2016, a 10% non-final withholding tax will apply to the disposal by foreign residents of certain taxable Australian property. This measure will not apply to residential property transactions under $2.5 million or to disposals by Australian residents.

Date of effect	From 1 July 2016

'Dividend washing' – franking credit trading

'Dividend washing' is where shares are sold with a dividend and then equivalent shares are immediately bought that still carry a right to a dividend. This can result in some shareholders receiving two sets of franking credits for effectively the same parcel of shares.

This measure will ensure that investors will only be entitled to use one set of franking credits. The changes will be targeted to the two-day period after a share goes ex-dividend. The changes will only apply to investors that have franking credits of more than $5,000.

Date of effect	From 1 July 2013

Offshore banking unit regime activities tightened

The policy intent of the OBU regime is to encourage the development of highly mobile financial sector activity in Australia where it would otherwise take place abroad. The concession taxes banking activity in an OBU at a low 10%, rather than the 30% company tax rate.

A new series of announced measures will:

- treat dealings with related parties, including the transfer of transactions between the OBU and the domestic bank, as ineligible for OBU treatment;
- treat transactions between OBUs, including between unrelated OBUs, as ineligible for OBU treatment; and
- refine the current list of eligible OBU activity.

Date of effect	From income years commencing on or after 1 July 2013

Limiting the deduction for exploration

The immediate deduction for the cost of assets first used for exploration will be tightened to exclude mining rights and information.

Under this measure, mining rights and information first used for exploration will be depreciated over 15 years, or their effective lives, whichever is shorter. The effective life of a mining right and associated exploration information will be the life of the mine that it leads to. If the exploration is unsuccessful, the remaining amount will be written off when this is established.

The following will continue to be immediately deductible (that is, the measure will not apply to):

- the costs of mining rights from a relevant government issuing authority;
- the costs of mining information from a relevant government authority;
- the costs incurred by a taxpayer itself in generating new information or improving existing information; and
- the mining rights acquired by a farmer under a recognised 'farm-in, farm-out' arrangement — which are often used by small explorers and do not represent a base erosion concern.

Date of effect	Applies to taxpayers who start to hold the mining right or information after 7.30pm (AEST) on 14 May 2013 unless: • the taxpayer has committed to the acquisition of the right or information (either directly or through the acquisition of an entity holding the asset) before that time; or • they are taken by tax law to already hold the right or information before that time. Any commitment will need to be objectively verifiable.

ATO funding boosted for offshore marketing hubs and business restructures

And since you need to measure change, the ATO will get an extra $109.1m to enforce the 'loophole legislation.' The net gain of their enforcement activity targeting restructuring activity that facilitates profit shifting opportunities is estimated to be $406m over the forward estimate period.

The ATO is particularly concerned with arrangements where Australian entities transfer items of intellectual property to a low tax jurisdiction for a relatively small amount of money and then pay considerable sums for the use of those assets on an ongoing basis. The new transfer pricing rules currently before Parliament are likely to play a key role in policing this area.

Previously announced changes for Business

Access to R&D tightened

Access to the R&D tax incentive will be limited to companies with an annual aggregated Australian turnover of less than $20 billion.

The R&D tax incentive provides a 45% refundable tax offset to eligible companies with annual aggregate turnover of less than $20 million and a 40% non-refundable tax offset to all other eligible companies. Large companies with a turnover of $20 billion or more will be able to continue to claim deductions for the R&D expenditure under general tax law provisions in the form of deductions for business expenditure.

This measure was announced on 17 February 2013 – See Targeting small and medium sized enterprises for R&D tax support

Date of effect	From 1 July 2013

The Budget also funds R&D quarterly credits. The opt-in R&D quarterly credits for the R&D tax incentive are for companies with an aggregated turnover of less than $20 million.

The consultation period for the R&D quarterly credits closed this month (see R&D Tax Incentives Quarterly Credits)

Date of effect	From 1 January 2014

Venture capital changes

The Venture Capital Limited Partnership (VCLP) and the Early Stage Venture Capital Limited Partnership (ESVCLP) regimes will change. Under the changes any gains or losses made by a VCLP on the disposal of an eligible venture capital investment held for 12 months which flow through to partners will be deemed to be on capital account for eligible domestic partners.

The Government will also lower the minimum investment capital required for entry into the ESVCLP program from $10 million to $5 million to facilitate increased investment by 'angel' investors.

And, the Pooled Development Fund (PDF) program will be phased out over a number of years.

The change was recommended by the Board of Taxation and adopted by the Government. See Board of Taxation report into Venture Capital Released.

Individuals

Medical expenses tax offset abolished

The net medical expenses tax offset (NMETO) will be abolished although there will be a transitional period for those currently claiming the offset. Currently, the NMETO provides a 20% offset against net medical expenses over $2,060 (2011/2012). There is no upper limit.

From 1 July 2013, taxpayers who claimed the NMETO for the 2012/2013 income year will continue to be eligible for the 2013/2014 income year if they have eligible out of pocket medical expenses above the relevant thresholds. Similarly, those who claim the NMETO in 2013/2014 will continue to be eligible for the offset in 2014/2015.

The NMETO will continue to be available for taxpayers for out of pocket medical expenses relating to disability aids, attendant care or aged care expenses until 1 July 2019 when DisabilityCare Australia is fully operational and aged care reforms have been in place for several years.

Date of effect	From 1 July 2013

Working while on benefits

The amount income support recipients can earn from paid employment before reducing their support payments will increase from $62 per fortnight to $100 per fortnight from 20 March 2014. Annual indexation of the income free area will start from 1 July 2015.

Date of effect	From 20 March 2014

Means test exemption for pensioners moving into age appropriate housing

A trial measure will provide a means test exemption for Age Pension recipients who are downsizing from their family home. The family home must have been owned for at least 25 years with at least 80% of proceeds from the sale (up to $200,000) to be deposited into a special account by an authorised deposit taking institution. These funds (plus earned interest) will be exempt from pension means testing for up to 10 years provided there are no withdrawals during the life of the account.

The exemption will also be accessible to people assessed as home owners who move into a retirement village or granny flat. It will not be available to people moving into residential aged care.

The pilot will start on 1 July 2014 and be closed to new customers from 1 July 2017.

See Delivering for Older Australians

Date of effect	From 1 July 2014

Military compensation for legal advice exempt

Compensation provided for legal advice to beneficiaries under the *Military Rehabilitation and Compensation Act 2004* will be exempt from income tax. This will extend the existing tax exemption for financial advice under the Act.

Date of effect	From 1 July 2013

Previously announced changes for individuals

Medicare Levy increase

As previously announced on 1 May 2013, the Medicare Levy will increase from 1.5% to 2% to fund DisabilityCare Australia. The hypothecated tax is estimated to generate tax revenue of $11.4 billion over the forward estimates period and $20.4 billion to 2018/2019.

The revenue raised by the increase in the Medicare levy is to be invested in a new fund — the DisabilityCare Australia Fund – to be drawn on for expenditure directly related to DisabilityCare Australia. It is estimated the Fund will generate $467.4 million in earnings over the forward estimates period.

See the media release Lock in a Fairer Future for Australians With a Disability.

Date of effect	From 1 July 2014

Work related self education expenses capped

As previously announced, the Government will cap deductions for self education expenses at $2,000 from 1 July 2014. This is a significant change from the current position as there is currently no cap on claiming self education expenses. The new $2,000 annual cap will also apply to self education expenses paid by employers under a salary sacrifice arrangement.

Deductible education expenses are costs incurred in undertaking a course of study or other education activity, such as conferences and workshops, and include tuition fees, registration fees, student amenity fees, textbooks, professional and trade journals, travel and accommodation expenses, computer expenses and stationery, where these expenses are incurred in the production of the taxpayer's current assessable income.

See Reforms to Self Education Expense Deductions.

Date of effect	From 1 July 2014

Income tax cuts ‘deferred’

The income tax cuts due to commence from 1 July 2015 have been deferred. In the 2012/2013 Budget, the Government announced that from 1 July 2015, the tax-free threshold would increase to $19,400, with a reduction in the LITO to $300.

The tax cuts were part of the Clean Energy initiative to compensate for increases in the carbon price passed through to consumers. At the time, the carbon price was expected to be $25.40 in 2015/2016. The carbon price has slumped and is now expected to be $12.10 in 2015/2016.

No discount for paying HELP up front

As previously announced, the Government will remove the following discounts applying to up-front and voluntary payments made under the Higher Education Loan Program (HELP):

- the 10% discount available to students electing to pay their student contribution up-front; and
- the 5% bonus on voluntary payments to the Australian Taxation Office of $500 or more.

Date of effect	From 1 January 2014

Tax measures

All large entities subject to monthly PAYG instalments

The Government will extend the requirement to make monthly PAYG instalments to all large entities (turnover of $20 million or more) in the PAYG instalment system including trusts, superannuation funds, sole traders and large investors.

Other entities will be progressively brought in from the third tranche of the already announced move to monthly PAYG instalments for corporate entities:

Entity type	Turnover	Move to monthly PAYG instalments from…
Corporate Tax entities	More than $1 billion	1 January 2014 (unchanged)
Corporate Tax entities	$100 million or more	1 January 2015 (unchanged)
Corporate Tax entities	$20 million or more	1 January 2016
All other entities	$1 billion or more	1 January 2016
All other entities	$20 million or more	1 January 2017

Entities, other than head companies or provisional head companies, that have a turnover of less than $100 million and report GST on a quarterly or annual basis will not be required to pay PAYG instalments monthly.

In addition, entities in the taxation of financial arrangements (TOFA) regime will assess their entry to monthly instalments using a modified turnover test, based on their gross TOFA income, rather than their net TOFA income.

ATO targeting trusts (and everything else)

The ATO has received funding in a number of areas. Among these is compliance activity in relation to taxpayers who have been involved in "egregious tax avoidance and evasion using trust structures." This measure is expected to increase net tax revenue by over $217m over the forward estimate period. The ATO is targeting exploitation of trusts to conceal income, mischaracterise transactions, artificially reduce trust income amounts and underpay tax.

Other compliance initiatives focus on:

- Datamatching across:
    - taxable Government grants and other government payments;
    - sales of real property, shares (including options and warrants), and units in managed funds;
    - sales through merchant debit and credit services;
    - managed investment trust and partnership distributions, company dividend and interest payments; and
    - transactions reported to the ATO by the Australian Transaction Reports and Analysis Centre.

See ATO taskforce to target trust misuse.

Disaster payments exempt from income tax

Disaster Income Recovery Subsidy (DIRS) payments provided between 3 January 2013 and 30 September 2013 will be exempt from income tax. The DIRS provides financial assistance to employees, small business persons and farmers who experience a loss of income as a direct consequence of a natural disaster occurring in Australia.

The Government has also exempted ex-gratia payments to New Zealand non-protected Special Category Visa holders affected by natural disasters that occurred in 2012/2013. These ex-gratia payments are equivalent to the tax-exempt Australian Government Disaster Recovery Payment (AGDRP) and assist New Zealanders who would have been eligible for the AGDRP, but for their visa status.

GST – Net refunds and GST instalment system

In the 2011/2012 Budget, the Government announced that it would extend the GST instalment system to allow access for small businesses that are in a net refund position. This measure would have allowed small businesses in a net refund position to choose to access the GST instalments system, with an instalment amount each quarter of zero. Any refunds or liability due to the taxpayer will be reconciled in their annual GST return.

The Government has now revised this position and will only allow those businesses already using the GST instalment system to continue to use it if they move into a net refund position.

CGT and native title benefits

The Budget confirms that there are no CGT implications resulting from the transfer of native title rights (or the right to a native title benefit) to an Indigenous holding entity or Indigenous person or from the creation of a trust that is an Indigenous holding entity over such rights. Capital gains and losses made from surrendering or cancelling such rights are also disregarded.

This measure builds on the measures announced in the Mid-Year Economic and Fiscal Outlook 2012/13 that income tax is not payable on certain native title benefits.

Date of effect	CGT events happening on or after 1 July 2008

Superannuation

No new changes in superannuation were announced. The series of superannuation reforms previously announced on 5 April 2013 have been confirmed in the Budget (see Reforms to make the superannuation system fairer).

Previously announced superannuation changes

Reform of excess contributions tax

As previously announced on 5 April 2013, the Government will reform the operation of the excess contributions tax. Under the reforms, excess concessional contributions are taxed at an individual's marginal tax rate, plus an interest charge to recognise that the tax on excess contributions is collected later than normal income tax. In addition, individuals will be allowed to withdraw any excess concessional contributions from their superannuation fund.

Date of effect	Excess concessional contributions made from 1 July 2013

Higher concessional contribution caps

A higher contributions cap of $35,000 will now apply from 1 July 2013 for those 60 and over, and 1 July 2014 for those 50 and over. In addition, the Government will not limit the higher cap just to those with super balances below $500,000. It applies to everyone who meets the age tests.

For everyone else, the contributions cap will remain at $25,000 (with indexing returning to the cap from 1 July 2014).

Date of effect	1 July 2013 for those 60 and over 1 July 2014 for those 50 and over

Taxing earnings on super assets supporting income streams

From 1 July 2014, the tax exemption for earnings on superannuation assets supporting income streams will be capped at the first $100,000 of future earnings per individual. Earnings above $100,000 will be taxed at 15% (the same concessional rate that applies to earnings in accumulation phase).

Special arrangements will apply for capital gains on assets purchased before 1 July 2014:

- For assets that were purchased before 5 April 2013, the reform will only apply to capital gains that accrue after 1 July 2024;
- For assets 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
- For assets that are purchased from 1 July 2014, the reform will apply to the entire capital gain.

Date of effect	From 1 July 2014

Account based pensions lose preferential Centrelink treatment

Currently, account based pensions provide a tax free retirement income stream for the member and flexible access to capital. Account based pensions also receive preferential concessional treatment under Centrelink pension income testing arrangements compared with income from other assets, such as dividends from shares or interest from term deposits which is subject to deeming.

From 1 January 2015, new superannuation account based income streams will be subject to the standard pension deeming arrangements which could increase the level of income that is assessed under the income test for Centrelink support.

Date of effect	From 1 January 2015

Deferred life time annuities

Deferred lifetime annuities will have the same concessional tax treatment as superannuation assets supporting income streams receive.

Date of effect	1 July 2014

Lost superannuation inactive account threshold change

Superannuation funds are required to transfer low balance inactive accounts, or those where the member is uncontactable, to the ATO. From 31 December 2015, the account balance threshold below which inactive accounts, and accounts of uncontactable members, are required to be transferred to the ATO will increase to $2,500. On 31 December 2016 it will then increase again to $3,000.

Date of effect	31 December 2015

Families & community

Bye bye baby bonus

From 1 March 2014, the Baby Bonus will be replaced by an increase to Family Tax Benefit Part A (FTB Part A) payments. The payment increases FTB Part A by $2,000, to be paid in the year following the birth or adoption of a first child or each child in multiple births, and $1,000 for second or subsequent children. The additional FTB Part A would be paid as an initial payment of $500, with the remainder to be paid in seven fortnightly instalments.

Parents who take up Paid Parental Leave (PPL) will not be eligible for the extra FTB Part A payment but should have greater access to PPL on the birth of subsequent babies.

Date of effect	From 1 March 2014

Family & parental payments while overseas

The allowed period of temporary absence from Australia for accessing certain family and parental payments will change from three years to one year from 1 July 2014. Affected payments include Family Tax Benefit Part A, Schoolkids Bonus and Paid Parental Leave.

Date of effect	From 1 July 2014

Increase to Medicare levy low-income threshold for families

The Medicare levy low-income threshold for families will increase to $33,693 for 2012/2013 income year. The additional amount of threshold for each dependent child or student will also increase to $3,094. The increase in these thresholds takes into account movements in the CPI.

Date of effect	From 1 July 2012

Family tax benefits for 16 year olds

Eligibility for Family Tax Benefit Part A (FTB Part A) for children aged 16 years and over will change. FTB Part A will only be paid until the end of the calendar year a child completes school. This change will start from 1 January 2014.

Individuals who no longer qualify for FTB Part A may be eligible to receive Youth Allowance, subject to the usual eligibility requirements.

Date of effect	From 1 January 2014

Increase to family tax benefits scrapped

The Government will not proceed with the 2012-13 Budget measure *Spreading the Benefits of the Boom — increasing Family Tax Benefit Part A*.

- Families receiving the maximum rate of FTB Part A with two or more children would have received an extra $600 a year, or an extra $300 a year if they have one child.
- Families receiving the base rate of FTB Part A with two or more children would have received an extra $200 a year, or an extra $100 a year if they have one child.

Other changes

Tobacco excise increased

The indexation of excise and excise-equivalent customs duty for tobacco and tobacco products will change to average weekly ordinary time earnings (AWOTE), instead of the Consumer Price Index (CPI), commencing from 1 March 2014. The excise and excise-equivalent customs duty rates will continue to be indexed bi-annually, on 1 March and 1 September each year, to coincide with the releases of AWOTE data by the Australian Bureau of Statistics.

The Government estimates that this change is likely to result in the cost of a typical packet of 25 cigarettes increasing by an additional 7 cents in the first half of 2014. This indexation would occur on 1 March 2014 instead of 1 February 2014.

Currently, the rates of excise and excise-equivalent customs duty for cigarettes and other tobacco products are indexed bi-annually on and from 1 February and 1 August in line with the CPI. The 1 February 2014 CPI increase will not occur to ensure there are only two indexation adjustments in the 2014 calendar year.

Date of effect	From 1 March 2014

Tax agent services licensing regime

The Government will provide $1.4m over four years to provide for a single, online registration for financial advisers registered with ASIC that also need to be registered with the ATO as tax advisers from 30 June 2013. This follows the end of the exemption for financial advisers from the tax agent services licensing regime.

The cost of this measure will be offset by fees charged by the ATO for registering financial advisers under the *Tax Agency Services Act 2009* from 1 July 2015. The proposed fees are $400 for a three year registration for a Category 2 financial adviser who carries on a business as a Category 2 financial adviser and $200 for a three year registration for a Category 2 financial adviser who does not carry out a business as a Category 2 financial adviser.

Drought assistance reform

A new Farm Household Allowance (FHA) will be available to eligible farm families in periods of hardship regardless of the source of that hardship. Eligibility for support will be determined through an assessment of the farmer's existing assets, liabilities and income.

The FHA will be paid at the Newstart Allowance rate and will be available to eligible recipients for a maximum period of three years, with the flexibility to come on and off the payment until the maximum period is reached. A condition of receiving the FHA will be completion of individually tailored reciprocal obligations targeted at assisting farmers to better manage their individual situation in the future. Reciprocal obligations could include training or development activities, both on-farm and off-farm, seeking professional advice or succession planning. This payment will replace the existing Exceptional Circumstances Relief Payment and the Transitional Farm Family Payment from 1 July 2014.

Date of effect	From 1 July 2014

Import processing levy changes

The Import Processing Charge (IPC) will be restructured to recover the costs of all import related cargo and trade functions undertaken by the Australian Customs and Border Protection Service.

The new charges will come into effect on 1 January 2014. For consignments valued over $10,000, the IPC for electronic sea import declarations will be increased by $102.60 to $152.60 per consignment; and the IPC for electronic air import declarations will be increased by $81.90 to $122.10 per consignment.

For consignments valued over $1,000 and up to $10,000 the IPC will remain at current levels: $50.00 for electronic sea import declarations and $40.20 for electronic air import declarations. The IPC is not applied to consignments valued at $1,000 or less.

Date of effect	From 1 January 2014

Key economic highlights

- Budget deficit of $18 billion in 2013/2014
- GDP growth at 2 ¾% in 2013/2014 rising to 3% in 2014/2015
- Australian dollar expected to remain high
- Employment expected to grow by 1¼ per cent to the June quarter 2014 and 1½ per cent to the June quarter 2015. While unemployment is expected to drift up slightly to 5¾ % by the June quarter 2014 and stabilise around this rate through to the June quarter 2015. The participation rate is forecast to remain close to historical highs at around 65%.
- Wage growth is expected to remain subdued. The Wage Price Index is forecast to grow 3½ % through the year to the June quarters of 2014 and 2015.
- Household consumption expected to grow at 3% in both 2013/2014 and 2014/2015.
- Dwelling investment forecast to grow by 5% in 2013/2014 and 5½% in 2014/2015.
- New business investment is expected to grow by 4½ % in 2013/2014, growing at 1% in 2014/2015.
- Exports are expected to grow by 6½% in 2013/2014 and 7% in 2014/2015.
- Imports are expected to grow by 6% in 2013/2014 and by 3% in 2014/2015.
- Both headline and underlying inflation are forecast to be 2¼ % through the year to the June quarters of 2014 and 2015.
- Nominal GDP is expected to grow by 5 % in both 2013/2014 and 2014/2015, well below the 20-year average of 6½ %. This largely reflects the expected decline in the terms of trade and slightly below-trend growth in domestic prices.

Links

Budget

- Budget website

Prime Minister

- Government Funds The Important Work Of The Royal Commission
- Gillard Government Delivers DisabilityCare Australia
- A Fairer Funding Plan For All Australian Schools

Treasurer

- A Stronger Economy, Smarter Nation and Fairer Society
- Gillard Government delivers DisabilityCare Australia
- A fairer funding plan for all Australian schools
- Funding boost for States under Labor Government
- 2013-14 Budget continues proud record of tax reform
- Protecting the corporate tax base from erosion and loopholes
- Helping households with the cost of living
- Clean Energy Future Package working in Australia's interest
- Delivering for older Australians

Assistant Treasurer

- Protecting the corporate tax base from erosion and loopholes - measures and consultation arrangements
- Protecting the corporate tax base from erosion and loopholes
- ATO taskforce to target trust misuse
- The Board of Taxation's Review of the Consolidation Regime

Minister for Financial Services and Superannuation
Minister for Employment and Workplace Relations

- Better support to help more Australians enter the workforce
- $47.2 million to support vulnerable workers
- $19.2 million to help more Australians find work and regional businesses find apprentices
- An extra $10.5 million to help protect Australians from asbestos
- Helping more Australians with intellectual disability find work
- Supporting the Queensland Working Women's Service
- Better protections for vulnerable clothing industry workers