Fact Sheet

2016–2017 Federal Budget release (Not for Profit focus)

The Federal Budget was released by Treasurer Scott Morrison yesterday. Whilst there were no specific revenue or expense measures that impacted directly on the salary packaging environment, there were some key measures that have been outlined below.

Whilst not a new measure it is worthy of note that with the removal of the deficit reduction levy from 1 July 2017 that the salary packaging gross up factors will change from 1 April 2017 as follows:

For organisations that are classified as Exempt:

Description	Current		From 1 April 2017	
	Category 1	Category 2	Category 1	Category 2
Full Year Expenses Threshold	$31,177	$17,667	$30,000	$17,000
Equivalent non GST Benefit salary packaging amount	$15,900	$9,010	$15,900	$9,010
Gross up rate Type 1 Benefits	2.1463		2.0802	
Gross up rate Type 2 Benefits	1.9608		1.8868	
Entertainment Benefits Threshold	$5,000		$5,000	
Equivalent salary packaging amount	$2,550		$2,650	

Definitions:
Category 1: Public Benevolent Institutions and Health Promotion Charities
Category 2: Not-for-profit Hospital and Ambulance Services

For organisations that are classified as Rebatable:

Description	Current	From 1 April 2017
Full Year Threshold	$31,177	$30,000
Equivalent non GST Benefit salary packaging amount	$15,900	$15,900
Gross up rate Type 1 Benefits	2.1463	2.0802
Gross up rate Type 2 Benefits	1.9608	1.8868
Entertainment Benefits Threshold	$5,000	$5,000
Equivalent salary packaging amount	between $2,330–$2,550	between $2,404–$2,650
FBT Rebate	49%	47%

2016–2017 Budget measures

Personal tax

The Government will increase the 32.5 per cent personal income tax threshold from $80,000 to $87,000 from 1 July 2016.

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This measure will reduce the marginal rate of tax on incomes between $80,000 and $87,000 from 37 per cent to 32.5 per cent and ensure that the average full-time wage earner will not move into the second highest tax bracket in the next three years.

The following table sets out the current and anticipated future personal income tax rates:

Personal income tax rates and thresholds						
	2015–2016		2016–2017		2017-2018	
	Threshold	Rate	Threshold	Rate	Threshold	Rate
1st rate	$18,201	19.0%	$18,201	19.0%	$19,401	19.0%
2nd rate	$37,001	32.5%	$37,001	32.5%	$37,001	32.5%
3rd rate	$80,001	37.0%	$87,001	37.0%	$87,001	37.0%
4th rate	$180,001	47.0%	$180,001	47.0%	$180,001	45.0%

The rates above exclude the Medicare Levy. Including the Medicare Levy would result in the top marginal rate being 49% for the 2014–2015 to 2016–2017 financial years (inclusive).

Superannuation

Reduction of the concessional contribution cap to $25,000 and the point at which high income earners pay additional contributions tax

From 1 July 2017, the Government will lower the point (the Division 293 threshold) at which high income earners pay additional contributions tax from $300,000 to $250,000.

The Government will also reduce the annual cap on concessional superannuation contributions to $25,000 (currently $30,000 under age 50; $35,000 for ages 50 and over).

Allowing for catch up of concessional contributions

Annual concessional caps can limit the ability of people with interrupted work patterns - for example women or carers - to accumulate superannuation balances commensurate with those who do not take breaks from the workforce.

From 1 July 2017 individuals will be able to make additional concessional contributions where they have not reached their concessional contributions cap in previous years. Access to these unused cap amounts will be limited to those individuals with a superannuation balance less than $500,000. Amounts are carried forward on a rolling basis for a period of five consecutive years, and only unused amounts accrued from 1 July 2017 can be carried forward.

Allowing people to carry forward their unused concessional cap provides them with the opportunity to 'catch-up' if they have the capacity and choose to do so.

Introduction of a $1.6m cap on transfers to pension phase

From 1 July 2017, the Government will introduce a $1.6 million transfer balance cap on the total amount of accumulated superannuation an individual can transfer into the retirement phase. That is, the amount that can be transferred from accumulation phase into pension phase will be limited to $1.6m. A tax will be applied to amounts transferred in excess of the $1.6m cap similar to the excess contributions tax.

Members already in the retirement phase with balances above $1.6m will be required to reduce the balance to $1.6m by 1 July 2017. Excess balances for those members may be converted to accumulation phase.

Introduction of a $500,000 lifetime cap on non-concessional contributions

A further superannuation measure sees the introduction of a $500,000 lifetime non-concessional contributions cap. The lifetime cap will take into account all non-concessional contributions made on or after 1 July 2007 and will commence at 7.30 pm (AEST) on 3 May 2016.

Contributions made before commencement cannot result in an excess, however, excess contributions made after commencement will need to be removed or subject to penalty tax.

The cap will be indexed to average weekly ordinary time earnings.

The lifetime non-concessional cap will replace the existing annual caps which allow annual non-concessional contributions of up to $180,000 per year (or $540,000 every three years for individuals aged under 65).

Removing the tax exemption for transition to retirement income streams

From 1 July 2017 the income tax exemption for assets used to fund transition to retirement income streams will be removed.

Introduction of a Low Income Superannuation Tax Offset (‘LISTO’)

From 1 July 2017 a LISTO will be introduced to reduce tax on superannuation contributions for low income earners.

The LISTO will provide a non-refundable tax offset to superannuation funds, based on the tax paid on concessional contributions made on behalf of low income earners, up to a cap of $500 and will apply to members with adjusted taxable income up to $37,000 that have had a concessional contribution made on their behalf.

The LISTO will replace the low income superannuation contribution when it expires on 30 June 2017.

Allowing tax deductions for personal super contributions

From 1 July 2017 all individuals up to age 75 will be able to claim an income tax deduction for personal superannuation contributions. This effectively allows all individuals, regardless of their employment circumstances, to make concessional superannuation contributions up to the concessional cap.

Removal of the work test for taxpayers aged 65–74

From 1 July 2017, people aged 65 to 74 will no longer have to satisfy a work test to make superannuation contributions.

Other measures

The Government is introducing an $840m youth employment package to assist the participation of young people in the workforce. The package will include financial assistance for businesses that employ eligible young people. The primary initiative being introduced is a three-stage programme entitled Youth Jobs PaTH

(Prepare–Trial–Hire). The first two stages of the programme involve industry-endorsed skills training and internship placements for young job seekers and will commence from 1 April 2017.

Youth employment package … Youth Jobs PaTH (Prepare–Trial–Hire)

Funding of $751.7 million over four years from 2016–2017 will be directed to establishment of a *Youth Jobs PaTH* program for young job seekers aged under 25 years to improve youth employment outcomes.

The new pathway is designed to enhance young people's employability and provide up to 30,000 young people each year with real work experience. The pathway has three elements:

- Industry-endorsed pre-employment training (Prepare) - from 1 April 2017, training for up to six weeks will be provided to develop basic employability skills, including those required to identify and secure sustainable employment.
- Internship placements of up to twelve weeks (Trial) - from 1 April 2017, up to 30,000 internship placements will be offered each year to enable businesses and job seekers to trial their employment fit. Job seekers will receive a $200 fortnightly incentive payment and businesses will receive $1,000 upfront to host an intern. Placements will be voluntary and will be organised by employment services providers. Job seekers must be registered with *jobactive*, *Disability Employment Services* or *Transition to Work*, and have been in employment services for at least six months to be eligible for the internship program.
- Youth Bonus wage subsidies (Hire) - from 1 January 2017, employers will receive a wage subsidy of up to $10,000 for job seekers under 25 years old with barriers to employment and will continue to receive up to $6,500 for the most job-ready job seekers. Job seekers must be registered with *jobactive* or *Transition to Work*, and have been in employment services for at least six months for employers to be eligible for the wage subsidy. Funding for this component will be provided from within the existing funding for wage subsidies.

The program will include an employer mobilisation strategy to encourage participation in the initiative by all employers.

Youth employment … encouraging entrepreneurship and self-employment

Additional funding of $88.6 million over four years from 2016–2017 will be allocated to expand the *New Enterprise Incentive Scheme* (NEIS) and to support self-employment opportunities for young people.

From 1 December 2016, the Government will introduce a suite of initiatives to expand self-employment opportunities and encourage entrepreneurship among young Australians. These include:

- 'Exploring Being My Own Boss' workshops to engage young job seekers to explore self-employment as an alternative pathway to employment
- Self-Employment and Entrepreneurship Starter Packs to raise awareness of the self-employment assistance available to youth
- engaging Inclusive Entrepreneurship Facilitators in areas of high youth unemployment to assist potential entrepreneurs in accessing local mentors and services.

The number of places in NEIS will also be increased to 8,600 per annum and eligibility will be expanded to people not on income support, including recently retrenched workers.

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ADE's … wage supplement

The Government will provide greater flexibility to Australian Disability Enterprises ('ADEs') as they transition to new wage arrangements for supported employees by amending the terms under which wage supplementation is paid to ADEs.

The Government will allow the payment of wage supplementation to ADEs from the date of claim and the period over which ADEs may claim wage supplementation will be extended by three years from 31 December 2017 to 31 December 2020.

NDIS Savings Fund

The Government will establish the National Disability Insurance Scheme Savings Fund Special Account to assist in meeting the future costs of the National Disability Insurance Scheme ('NDIS').

In the 2016–2017 Budget, the Government will credit $2.1 billion to the fund, comprising:

- funding of $711.2 million over five years, reflecting reduced net costs in NDIS transition agreements which have been signed with the states and territories
- savings of a total $1.3 billion over five years which are the net proceeds of more efficiently targeting social welfare expenditure, after offsetting a range of new priorities in the Social Services Portfolio.

The following efficiencies will contribute to the NDIS Savings Fund:

- $1.4 billion over five years by closing relevant unnecessary carbon tax compensation to new recipients of government welfare benefits.
- $108.6 million over four years by aligning the backdating provisions for new Carer Allowance claims with other social security payments. From 1 January 2017, Carer Allowance will be payable to eligible applicants from the date of the claim, or the date they first contact the Department of Human Services. Savings for this component have already been provided for by the Government.
- $62.1 million over five years by reviewing 30,000 Disability Support Pension recipients each year for three years by assessing their capacity to work.
- $66.7 million by identifying funds not being spent in 2015-16 and by not proceeding with the NDIS advertising campaign.

Try Test and Learn Fund

A $96.1 million Try, Test and Learn Fund will be established to help the Government identify groups at risk of long-term welfare dependency and design policies to address barriers to work.

The policies will be developed with input from external experts and the community sector.