

Fact sheet

September 2016 legislation update

Introduction

The Federal Government recently introduced legislation based on announcements made in the 2016-2017 Federal Budget and during the recent election campaign. These measures recently passed both houses of parliament and are awaiting Royal Assent.

A number of these changes may affect employees within the not-for-profit sector, and further details are provided below:

Salary packaging changes

The removal of the deficit reduction levy from 1 July 2017 means the salary packaging gross up factors will change for organisations that are classified as Exempt from 1 April 2017 as follows:

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 – Entertainment	\$2,550		\$2,650	
Fortnightly Entertainment packaging amount	\$98.08		\$101.92	

Definitions:

Category 1: Public Benevolent Institutions and Health Promotion Charities

Category 2: Not-for-profit Hospital and Ambulance Services

Changes to minimum repayment income for HELP debts

For the 2016-2017 financial year, when an employee's income is greater than \$54,868 they are required to make repayments towards their HELP debt (known as the minimum repayment income). When an employee's income exceeds that amount, but is less than \$61,120, the employee's repayment rate is 4% of their income. A table of the repayment incomes for 2016-2017 is below:

Repayment Income Thresholds	Repayment rate
Below \$54,869	Nil
\$54,869 - \$61,119	4% of HRI
\$61,120 - \$67,368	4.5% of HRI
\$67,369 - \$70,909	5% of HRI
\$70,910 - \$76,222	5.5% of HRI
\$76,223 - \$82,550	6% of HRI
\$82,551- \$86,894	6.5% of HRI

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Repayment Income Thresholds	Repayment rate
\$86,895 - \$95,626	7% of HRI
\$95,627 - \$101,899	7.5% of HRI
\$101,900 and above	8% of HRI

Commencing from 1 July 2018 a new minimum repayment income of \$51,956 will be introduced with a repayment rate of 2 per cent for people whose incomes exceed that amount but are less than the 4 per cent income threshold.

These amendments will have flow-on effects for other education loans schemes including the Student Financial Supplement Scheme loans.

Indexation of private health insurance thresholds

The income thresholds used to calculate the Medicare Levy Surcharge (where an employee doesn't have private health hospital cover) and the Private Health Cover Rebate will remain at the current rates until 1 July 2020. These rates are outlined below:

	Base tier	Tier 1	Tier 2	Tier 3
Singles	\$90,000 or less	\$90,001-105,000	\$105,001-140,000	\$140,001 or more
Families*	\$180,000 or less	\$180,001-210,000	\$210,001-280,000	\$280,001 or more
Rebate				
Aged under 65	26.791%	17.861%	8.930%	0%
Aged 65-69	31.256%	22.326%	13.395%	0%
Aged 70 or over	35.722%	26.791%	17.861%	0%
Medicare Levy Surcharge				
Rate	0.0%	1.0%	1.25%	1.5%

* The family income threshold is increased by \$1,500 for every child after the first child.

Parental leave payments

From 1 October 2016 employer provided maternity leave payments, including Dad and Partner Payments, will be included in the income test to determine eligibility for the Commonwealth Paid Parental Leave scheme ('Paid Parental Leave').

In addition, payments from an employer maternity leave program provided on a pay cycle basis will be included in calculations to determine an employee's access to the Paid Parental Leave payment. If an employer provided program payment is lower than the Commonwealth Paid Parental Leave, the Government will pay the difference between the employer program and the Parental Leave Pay. An employee will not be eligible for the Commonwealth Paid Parental Leave scheme where an employer program payment is equal to or in excess of the Commonwealth scheme.

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Family assistance and youth allowance (fringe benefits)

The changes may amend the way fringe benefits are treated under the income tests for family assistance and youth income support payments. Currently the income test uses the 'adjusted fringe benefits total', which is the taxable value of the fringe benefit rather than the Reportable Fringe Benefit (grossed up) amount.

Under the changes the Reportable Fringe Benefits value will be used for the income test, which could potentially reduce employee's eligibility for these support payments.

It is important to note that this amendment will not impact the employees working for public benevolent institutions, health promotion charities and some hospitals and public ambulance services. Employees of these employers are exempt from the changes and these income tests will continue to use the adjusted fringe benefits.

Indexation of family tax benefit and parental leave thresholds

The indexation of the income thresholds for family tax benefits (FTB) and Paid Parental Leave will be paused until 1 July 2020 at the following income thresholds:

- \$94,316 for the higher income free area of the Family Tax Benefit Part A
- \$100,000 for the primary earner income limit for Family Tax Benefit Part B
- \$150,000 for Paid Parental Leave.

The indexation of these income limits will resume on 1 July 2020.

Income limit for FTB Part A supplement

An annual income limit of \$80,000 will be introduced for payment of the family tax benefit (FTB) Part A supplement. If an individual's adjusted taxable income, which includes the adjusted taxable income of their partner, is more than \$80,000 for the relevant income year, then the individual will not be entitled to a FTB Part A supplement payment.

AccessPay will provide confirmation when the legislation receives Royal Assent.

Please note: Information, advice or guidance provided in this fact sheet, is general in nature and provided without reference to your organisation policies or your circumstances. It is not and should not be considered to be organisational or personal advice to you. Please contact your accountant, tax agent or legal adviser to determine how the information in this fact sheet may apply to your circumstances. Alternatively you can contact AccessPay with any queries about how the information in this fact sheet may apply to your circumstances.