Legislative Update

Commonwealth revenue measures introduced include:


Legislative instrument - Taxation Administration Act Withholding Schedules 2014 registered on 10 June 2014, sets out the formulas and procedures to be used for calculating the amount to be withheld by entities from withholding payments. The withholding schedules facilitate the collection of income tax, Medicare levy, Temporary Budget Repair levy, Higher Education Loan Program and Financial Supplement repayments.

Tax Laws Amendment (2014 Measures No. 1) Regulation 2014 registered on 13 June 2014, includes service with the Australian Defence Force’s Operation Slipper in Afghanistan as ‘eligible duty’ and therefore exempt from income tax, and makes consequential amendments to address any issues that may arise from the closure of the Australian Valuation Office on 30 June 2014.

Excise (Blending exemptions) Determination 2014 (No. 1) registered on 13 June 2014, specifies circumstances in which blends of excisable fuels, with or without other substances, are taken not to be excisable goods.

Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 [No 2], introduced into the House of Representatives on 23 June 2014, proposes to repeal the minerals resource rent tax (MRRT) and a number of other measures the funding for which was tied to the MRRT, including the loss-carry back rules and certain concessions for capital allowances. This Bill replaces the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 which did not pass the third reading stage in the Senate in March 2014.

Under the proposed changes:

- The MRRT is to be repealed with general effect from 1 July 2014 for all MRRT taxpayers (including those with substituted accounting periods). The general application provisions are subject to a number of specific transitional provisions and integrity provisions to prevent the bringing forward of expenditure. The general effect of the repeal of the MRRT will be that taxpayers will not accrue any further MRRT liabilities after 30 June 2014, and rehabilitation tax offset will only be available in relation to years that end on or before 30 June 2014. However, the Commissioner of Taxation will continue to administer and exercise powers under the MRRT for those years in respect of which the MRRT has applied which ensures the Commissioner has the flexibility to exempt taxpayers from, or give taxpayers an extension of time for, lodging their MRRT returns for MRRT years ending on or before 30 June 2014.

- The recently enacted measures which allow a company to ‘carry back’ its tax losses to up to two previous tax years are to be repealed with effect from the start of the 2013-14 income year. For June balancing companies this means that the repeal has effect for the income year ended 30 June 2013.

- The current phasing of the increase to the compulsory superannuation guarantee (SG) charge to 12 per cent is to be adjusted so that the 12 per cent rate will not apply until 1 July 2021. The table below compares the current and proposed phase-in SG rates:

<table>
<thead>
<tr>
<th>Year Commencing</th>
<th>Current charge %</th>
<th>Proposed charge %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Jul 2013</td>
<td>9.25</td>
<td>9.25</td>
</tr>
<tr>
<td>1 Jul 2014</td>
<td>9.5</td>
<td>9.25</td>
</tr>
<tr>
<td>1 Jul 2015</td>
<td>10</td>
<td>9.25</td>
</tr>
<tr>
<td>1 Jul 2016</td>
<td>10.5</td>
<td>9.5</td>
</tr>
<tr>
<td>1 Jul 2017</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>1 Jul 2018</td>
<td>11.5</td>
<td>10.5</td>
</tr>
<tr>
<td>1 Jul 2019</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>1 Jul 2020</td>
<td>12</td>
<td>11.5</td>
</tr>
<tr>
<td>1 Jul 2021</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>
The proposed charge currently included in the Bill does not reflect the Government’s 2013-14 Budget announcement that from 1 July 2014 until 30 June 2018, the rate will be 9.5 per cent (i.e. the same as the current charge), with that rate increasing by 0.5 of a percentage point each subsequent year until a 12 per cent rate is achieved in the 2022-23 financial year. It is anticipated that this Budget proposal will be introduced as an amendment to the Bill during debate in Parliament.

Eligible ‘small business entities’ (SBEs) will be affected by the repeal of a number of concessions for claiming capital allowance deductions in respect of depreciating assets. These changes are proposed to broadly apply in respect of depreciating assets that are first used or installed ready for use on or after 1 January 2014. Under these changes:

- the optional immediate write off of the cost of a depreciating asset will only apply for depreciating assets costing less than $1,000. The existing law which allows immediate write off for those assets costing less than $6,500 will continue to apply only where the asset is first used or installed ready for use before 1 January 2014. In all cases, the deduction is limited to the business use percentage. Depreciating assets that cost $1,000 or more can be allocated to the ‘general small business pool’ which will be depreciated at the current rate of 15 per cent in the year of allocation and 30 per cent in later years.

- the balance of a ‘general small business pool’ will be fully deductible only where it is less than $1,000 (instead of the existing $6,500 threshold) at the end of an income year (that finishes on or after 1 January 2014).

- the special rule for claiming an additional $5,000 capital allowance deduction in respect of motor vehicles costing more than $6,500 is to be repealed in respect of vehicles first used or installed ready for use on or after 1 January 2014.

There are further amendments to repeal the immediate capital allowance deduction for geothermal energy exploration and prospecting expenditure available to all taxpayers. This repeal broadly applies to expenditure incurred after 30 June 2014.

The Bill provides for the repeal of the Schoolkids bonus and the income support bonus in relation to entitlements that would occur on or after the legislation commences. Specifically in relation to the Schoolkids bonus, the law will preserve any bonus entitlement to an individual who is eligible on the relevant bonus test day (e.g. 1 January) that occurs before this Bill is enacted.

The low-income superannuation contribution will also no longer apply in respect of concessional contributions made on or after 1 July 2013.

Clean Energy (Income Tax Rates and Other Amendments) Bill 2013 [No 2], introduced into the House of Representatives on 23 June 2014, forms part of a package of Bills which propose to repeal the carbon tax in support of the Government’s election commitment, including the wind-back of future personal tax rates and thresholds. This Bill replaces the Clean Energy (Income Tax Rates and Other Amendments) Bill 2013 which did not pass the third reading stage in the Senate in March 2014.

This Bill specifically amends:

- the Clean Energy (Income Tax Rates Amendments) Act 2011 to repeal the personal income tax cuts that were legislated to commence on 1 July 2015, and

- the Clean Energy (Tax Laws Amendments) Act 2011 to repeal associated amendments to the low-income tax offset that were legislated to commence on 1 July 2015.

The following table sets out the personal income tax rates and thresholds that will apply from 1 July 2015 based on the current and proposed law:
### Rates and thresholds currently legislated to commence on 1 July 2015

<table>
<thead>
<tr>
<th>Threshold</th>
<th>Marginal Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st rate</td>
<td>19,401</td>
</tr>
<tr>
<td>2nd rate</td>
<td>37,001</td>
</tr>
<tr>
<td>3rd rate</td>
<td>80,001</td>
</tr>
<tr>
<td>4th rate</td>
<td>180,001</td>
</tr>
</tbody>
</table>

### Rates and thresholds for the 2013-14 year that will continue to apply beyond 1 July 2015

<table>
<thead>
<tr>
<th>Threshold</th>
<th>Marginal Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st rate</td>
<td>18,201</td>
</tr>
<tr>
<td>2nd rate</td>
<td>37,001</td>
</tr>
<tr>
<td>3rd rate</td>
<td>80,001</td>
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<tr>
<td>4th rate</td>
<td>180,001</td>
</tr>
</tbody>
</table>
Excise Tariff Amendment (Fuel Indexation) Bill 2014, together with the Customs Tariff Amendment (Fuel Indexation) Bill 2014 amend the Excise Tariff Act 1921 and the Customs Tariff Act 1995 to index the rate of excise and excise-equivalent customs duty applying to fuels (including gaseous fuels) in line with changes in the Consumer Price Index (CPI). Under this measure, excise and excise-equivalent customs duty will be indexed biannually on 1 February and 1 August. Indexation will not apply to the rates of excise and excise-equivalent customs duty on certain fuels, such as aviation fuels.

These Bills were introduced into the House of Representatives on 19 June 2014. The amendments apply indexation to duty on domestically manufactured and imported fuel with effect from 1 August 2014.

Fuel Indexation (Road Funding) Special Account Bill 2014 introduced into the House of Representatives on 19 June 2014 establishes a special account to ensure that the net additional revenue from fuel indexation is used for road infrastructure. This measure applies from 1 July 2015.

Fuel Indexation (Road Funding) Bill 2014 introduced into the House of Representatives on 19 June 2014 amends the Fuel Tax Act 2006 to ensure that taxpayers generally use the same indexed rate of duty that was payable on the fuel for determining the amount of their fuel tax credits.
Let’s talk

For a deeper discussion of how these issues might affect your business, please contact:

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