Revenue measures introduced into the Commonwealth Parliament include:

**Customs Amendment (Korea-Australia Free Trade Agreement Implementation) Bill 2014** and the **Customs Tariff Amendment (Korea-Australia Free Trade Agreement Implementation) Bill 2014** - introduced into the House of Representatives on 4 September 2014. These Bills propose to amend the Customs Act 1901 and the Customs Tariff Act 1995 to implement the Korea-Australia Free Trade Agreement.

**Tax and Superannuation Laws Amendment (2014 Measures No 5) Bill 2014**, which was introduced into the House of Representatives on 4 September 2014, proposes a number of amendments to the *Income Tax Assessment Act 1997* (*ITAA 1997*) and to the *Taxation Administration Act 1953* (*TAA 1953*). The Bill includes measures to:

- abolish the mature age worker tax offset in respect of assessments for the 2014-15 income year and later income years
- abolish the seafarer tax offset in respect of assessments for the 2015-16 income year and later income years
- make minor consequential changes to the *ITAA 1997* and to the *Shipping Reform (Tax Incentives) Act 2012* to remove references to the seafarer tax offset
- amend the *ITAA 1997* to reduce the rates of the tax offset available under the research and development (R&D) tax incentive by 1.5 percentage points. The higher (refundable) rate of the tax offset will be reduced from 45 per cent to 43.5 per cent and the lower (non-refundable) rate of the tax offset will be reduced from 40 per cent to 38.5 per cent. The reduction in the tax offset rates is consistent with the Government’s commitment to cut the company tax rate from 1 July 2015 by maintaining the relative value of the offsets.
- amend the *ITAA 1997* to update the list of specifically listed deductible gift recipients (DGRs) through adding: The Minderoo Foundation Trust (for gifts after 1 January 2014), Australian Schools Plus Ltd (for gifts made on or after 1 April 2014) and the East African Fund (for gifts made on or after 1 July 2014).

**Minerals Resource Rent Tax Repeal and Other Measures Bill 2014** - introduced into the House of Representatives on 1 September 2014 and subsequently passed by the Senate with amendments, received Royal Assent on 2 September 2014, was enacted as the **Minerals Resource Rent Tax Repeal and Other Measures Act 2014** (the Act). On 18 September 2014, the Governor General, by Proclamation, fixed the commencement date of Schedule 1 to 5 of the Act as 30 September 2014. In summary:

- Schedule 1 repeals the Mineral Resource Rent Tax (MRRT) such that the MRRT no longer applies after 30 September 2014. Transitional rules apply to ensure that the MRRT year ends on 30 September 2014 for all taxpayers, and to adjust various thresholds and other rules where the repeal means that taxpayers will have a short final MRRT year.
- Schedule 2 repeals the ‘loss carry-back’ measure in the *ITAA 1997* which allowed companies to utilise a tax loss for a current income year by way of an offset having regard to tax paid in either of the two preceding income years in certain circumstances. The repeal has effect from the start of the income year before the income year in which Schedule 2 commences. For companies with a 30 June tax year, this means that the repeal retrospectively applies...
from the start of the 2013-14 income year. Those taxpayers who already claimed the loss carry-back offset for the 2013-14 income year can now expect to receive an amended assessment from the ATO to disallow the claim and will be required to repay the full amount of the previously refunded offset, with no penalties or interest.

- Schedules 3 and 4 amend the capital allowance concessions for small business entities (SBE) in the ITAA 1997 so that:

1. The optional immediate write off of the cost of a depreciating asset (or an improvement to an existing depreciating asset) will only apply for depreciating assets costing less than $1,000 (instead of $6,500), and in all cases, the deduction will be limited to the 'business use percentage'
2. Depreciating assets that cost $1,000 or more will be able to be allocated to the 'general small business pool', which will be depreciated at the rate of 15 per cent in the year of allocation, and 30 per cent in later years
3. The balance of a 'general small business pool' will be fully deductible only where it is less than $1,000 (instead of $6,500) at the end of an income year
4. The special rule for claiming an 'upfront' $5,000 capital allowance deduction in respect of motor vehicles costing more than $6,500 is repealed.

This will mean that motor vehicles become subject to the same rules for claiming capital allowance deductions that apply to other depreciating assets.

These amendments apply from 1 January of the income year before the income year in which Schedules 3 and 4 commence. As these Schedules commence on 30 September 2014, the amendments apply from 1 January 2014 for 30 June balancers.

- Schedule 5 repeals special deductions for expenditure incurred in relation to geothermal energy exploration and prospecting. The repeal has effect from the start of the income year in which Schedule 5 commences. As this Schedule commences on 30 September 2014, the repeal applies from 1 July 2014 for 30 June balancers.

- Schedule 6 amends the timetable for increasing the superannuation guarantee (SG) charge percentage to 12 per cent by freezing the SG rate at 9.5 per cent for financial years commencing 1 July 2014 up to and including 2020-21. The SG charge percentage will then increase by half a percentage point each year, until it reaches 12 per cent for years starting on or after 1 July 2025.

- Schedule 7 abolishes the low income superannuation contribution for concessional contributions made for the 2017-18 financial year and later financial years.

- Schedule 8 abolishes the income support bonus from 31 December 2016 and makes minor technical and consequential amendments.

- Schedule 9 abolishes the Schoolkids Bonus from 31 December 2016, and introduces an income test for payments of the bonus between Royal Assent of the Act (5 September 2014) and 31 December 2016.

MRRT legislative instruments, registered on 24 September 2014, have the effect of exempting certain MRRT entities from having to lodge an MRRT return. Since the MRRT does not have any ongoing operation after 30 September 2014 (as mentioned earlier), to simplify administrative requirements, the Commissioner of Taxation will not require the lodgment of an MRRT return for those entities covered by the following:

- Exemption for lodgment of 2014 or 2015 MRRT Returns – Large volume non-payers’ Instrument (No 1) 2014 – broadly applicable to an entity that did not pay an MRRT instalment in respect of any instalment quarter during the relevant MRRT year, and is an entity that the Commissioner has determined, in writing, to be a large volume non-paying entity for that MRRT year, and

- Exemption for lodgment of 2013, 2014 or 2015 MRRT Returns – Low volume non-payers’ Instrument (No 1) 2014 – broadly applicable to an entity that did not pay an MRRT instalment in respect of any instalment quarter during the relevant MRRT year, and was not a ‘major producer’ as defined by the instrument for any of the 2013, 2014 or 2015 MRRT years.
Let’s talk

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

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