

< ISSUE #11 | WHAT NOW? ELECTION PROMISES AND WHAT THEY MEAN

IN THIS ISSUE

Didn't pay attention to every election promise? Us neither! But now we have a result it's time to look at what was promised and what it all means.

So, to save you from reading all 62 policy documents, we've put together a summary of the important bits. In particular, we look at: -

- Tax promises under the spotlight: -
 - Carbon tax including the fines the ACCC will impose on those not removing carbon tax inspired price increases
 - The mining tax and the removal of associated benefits (including the loss carry back measures)
- Superannuation promises
- Small business promises
- Other promises to business
- Paid parental leave scheme
- More reviews than you can count
- Red tape initiatives
- Promised infrastructure projects

Small business clients in particular need to be aware that some tax concessions available to them are planned to be removed and some planned taxes will be removed.

We also introduce you to a new starter with our firm and of course, it wouldn't be right to finish our newsletter without our quote of the month.

NEW TEAM MEMBER

The Directors are pleased to announce the hiring of an additional high-calibre professional to our team – **Chad Serpless**.

Having come from internships at law firms together with Big 4 and mid-tier accounting firms, Chad recently joined Koustras & Co in the role of Accountant. Chad recently completed his double-degree in Commerce and Law and in due course, will undertake the Chartered Accountants program.



Chad gained outstanding results in the study areas of Corporations Law, Accounting Theory and Application, Negotiation and Dispute Resolution which combine to make him a valuable and welcome addition to our firm.

Interestingly, Chad has trodden a different (and certainly less traditional!) pathway to accounting in that he's also completed a Certificate IV in Building & Construction whilst completing his carpentry apprenticeship.

Chad's Qualifications: -

- Diploma of Business – Monash College
- Bachelor of Commerce and Bachelor of Laws – Bond University
- Certificate IV Building & Construction – Holmesglen TAFE

TAX PROMISES IN BRIEF

Key tax promises and issues:-

- Abolish the **Minerals Resource Rent Tax** (Mining Tax) and a series of related measures funded by the mining tax including:
 - The loss carry-back scheme
 - The instant asset write-off increase
 - Accelerated depreciation for motor vehicles
 - Phasing down of interest withholding tax on financial institutions
 - Re-phase Superannuation Guarantee increase
 - Not proceed with low income super contribution
 - Schoolkids Bonus
 - Abolish the **Carbon Tax** and associated benefits.
- **Company tax** rate cut by 1.5 % to 28.5% from 1 July 2015.
- **Mining exploration incentive** - Introduce an Exploration Development Incentive that will allow investors to deduct the expense of mining exploration against their taxable income. Under the scheme the ATO will determine a proportion of expenses that can be claimed as tax credits by investors. The scheme will target small exploration companies by limiting eligibility to companies with no taxable income. For investments from 1 July 2014.
- **Paid parental leave levy** – 1.5% levy on companies with a taxable income above \$5 million (and apply to taxable income in excess of \$5 million). See 'Other promises' below.

< ISSUE #11 | WHAT NOW? ELECTION PROMISES AND WHAT THEY MEAN

- Keep the current income tax thresholds, and pension and benefit fortnightly rates
- Keep the Household Assistance Package

TAX PROMISES UNDER THE SPOTLIGHT

Abolish the Carbon Tax Promised Timeframe – Immediately

On the first day of the Coalition Government, Tony Abbott instructed the Department of Prime Minister and Cabinet to draft legislation to remove the Carbon Tax (to be completed within a month), with the intention of introducing the legislation on the first day of the new Parliament (1 October 2013).

That's all very nice but the problem is in the Senate. The new Government does not have a majority in the Senate and the Greens and Labor are unlikely to pass any legislation designed to abolish the carbon tax. So, roll on 1 July 2014.

This election was a half Senate election and the new Senate composition in place from 1 July 2014 is unlikely to give the Coalition a majority in its own right. As a result, the Government can only abolish the tax with the support of the Independents, the Greens or the Labor Party. The Greens have stated that they will not negotiate down the carbon tax and the Labor Party will not

support the Abbott plan "in its current form". The final composition of the new Senate will determine whether or not the Government can pass its legislation.

Tony Abbott has stated that he will use constitutional means (read a double dissolution) to abolish the tax.

Likely impact – ever make a claim your prices went up because of the carbon tax?

If your business ever published any sort of commentary blaming the carbon tax for your price increases – and let's face it there was a stage there when the carbon tax was blamed for just about everything short of the high level of teenage pregnancy in Australia - then you might want to pay attention.

In tandem with the abolition of the carbon tax is the creation of a special unit within the ACCC to monitor and enforce reasonably expected price reductions. Fines apply of up to \$220,000 for individuals and \$1.1 million for entities "that introduce or maintain price increases, surcharges attributable to the carbon tax."

Abolish the mining tax & remove associated benefits

When the mineral resource rent tax (mining tax) was introduced, it funded a series of associated benefits. It's the removal of these benefits that will have the broadest impact on the business community. The problem with tax concessions is that once a Government has

introduced them, no one really likes them to be removed. But it all comes down to timing.

So, the message is, if you can take advantage of the tax concessions available under the former Government, do it now. The changes are unlikely to be retrospective so whatever you can take advantage of, you get to keep.

Most of the concessions were about encouraging spending and bringing forward tax deductions. The loss carry back measure however, provides a cash refund for tax paid in prior years. In the 2013 income year, companies can claim current year losses against the company's tax liability for the 2012 income year. If the Government abolishes the loss carry back then the 2013 year may be the only year where this concession is available.

Proposed time frame: not noted

SUPERANNUATION PROMISES IN BRIEF

The Coalition's Policy for Superannuation

- **Increases to super guarantee slowed** - As part of the abolition of the mining tax (as mentioned above), rephrase the increase to superannuation guarantee.
- **Small business SG payments admin** - give small business the option to remit compulsory superannuation payments directly to the ATO.

< ISSUE #11 | WHAT NOW? ELECTION PROMISES AND WHAT THEY MEAN

- **SG paid during parental leave** - superannuation contributions paid while women are receiving paid parental leave.
- **Low income super contribution abolished** – a Government payment to low income earners into their super funds of 15% of the concessional super contributions made. Payments were supposed to start flowing through from September 2013 after income tax returns are lodged.
- **Inadvertent breaches of the contribution cap** - develop an appropriate process that addresses all inadvertent breaches of the contribution caps where an individual can show that their mistake was genuine and the error would result in a disproportionate penalty.
- **Industry standardisation**- Implement industry-wide definitions and performance benchmarks that will enhance comparability, including:-
 - standard reporting of fees;
 - standard reporting for gross and net returns on individual investment options; and
 - comparable definitions for asset classes and investments.
- **Product development and availability** - review the regulatory barriers currently restricting the availability of relevant and appropriate income stream products in the Australian market.
- **Minimum pension payments** - Review of the minimum pension payment levels.

SMALL BUSINESS PROMISES IN BRIEF

The removal of a number of tax concessions will have a greater impact on small business than many of the announced policies.

- Government representation
 - create a Small Business and Family Enterprise Ombudsman
 - the small business portfolio will be a cabinet position within the Department of Treasury.
 - Small business protection - extend unfair contract protections currently available to consumers to the small business sector.
 - Dealing with Government - all small businesses that provide services to the Federal Government will get the benefit of a “pay on time or pay interest” approach. Applying to financial obligations from 1 July 2014, this initiative will add a general interest charge (GIC) to any outstanding account not paid within 30 days. The GIC will be the same rate used by the ATO.

OTHER PROMISES TO BUSINESS IN BRIEF

General

- **Broadband network still on** - deliver the National Broadband Network (see ‘reviews’ below).

- **Airline entry to foreign markets** - Support the entry of Australian airlines into foreign markets and negotiate to remove barriers that prevent access.

Building, construction & development

- **One-stop-shop for environmental approvals** – work with States and Territories to create a streamlined approval process for environmental approvals (generally mining and other projects). The initiative, if they can make it work, will overcome many of the horror stories of national projects.
- **Industry oversight** - Restore the Australian Building and Construction Commission (ABCC) to oversee the building industry.

Trade & tourism

- **EMDG** - progressively restore funding to Export Market Development Grants starting with an initial \$50 million boost.
- **Tourism & Trade representation**
 - Create a Minister for Trade and Investment within the Department of Foreign Affairs and Trade, and re-establish the Trade Advisory Council
 - Put tourism under the foreign affairs portfolio
 - Move funding through the Asian Marketing Fund to Tourism Australia (rather than through a Government department).

< ISSUE #11 | WHAT NOW? ELECTION PROMISES AND WHAT THEY MEAN

- Chinese tourism - online lodgement for visitor visas for Chinese nationals and a move toward multiple entry visas to encourage repeat visits.

Employment

Senior employment – from 1 July 2014, introduce a Seniors Employment Incentive payment to encourage employers take on mature job seekers aged 50 or over. The payment will be made to employers hiring a mature job seeker who has been unemployed for six months or more, registered with Centrelink and receiving unemployment benefits. The incentive payment will be worth up to \$3,250 and paid progressively at a rate of \$250 per fortnight over six months once the worker has been employed for six months.

OTHER PROMISES IN BRIEF

Introduce a paid parental leave scheme at replacement wage Promised time frame: 1 July 2015

Mothers provided with 26 weeks of paid parental leave at their full replacement wage or the national minimum wage (whichever is greater) plus superannuation. The replacement salary is capped at \$150,000. The Coalition notes that “Australia is one of only two countries with a paid parental leave scheme that doesn’t base its payment on a woman’s actual wage.”

Fathers will also be able to take 2 weeks paid parental leave (concurrently with mothers or separately) at their actual wage.

The parental leave scheme is funded by a 1.5% levy on companies with a taxable income above \$5 million (and apply to taxable income in excess of \$5 million).

Foreign aid reduced by \$4.5 bn

Foreign aid will be reduced and grow in line with inflation. The measure will save \$4.5bn over 4 years but also dramatically reduce Australia’s level of overseas aid.

MORE REVIEWS THAN YOU CAN COUNT

Here are a few of the reviews planned:-

- **Tax reform**- White paper on tax reform including:-
 - Evaluate the current asset depreciation schedules for accommodation investment.
 - **Government efficiency** - Commission of Audit to improve the productive capacity and efficiencies of government.
 - **Competition review** - A competition review within two months of the election. The review will undertake a ‘root and branch’ review of Australia’s competition laws and competition frameworks.
 - **Industrial relations** – Productivity Commission to review into the operation of the Fair Work Laws.

- **Child care** - review into child care within six months of the election.
- **NBN** review with a commitment to complete the project
- **Energy white paper** – update the energy white paper

RED TAPE PROMISES

Red tape features heavily. Here are some of the key initiatives:

- Establishing a one-stop shop for environmental approvals for major projects without compromising high environmental standards;
- Establishing ministerial industry advisory councils for each portfolio Minister to ensure proper consultation with business;
- Making deregulation and red tape reduction a standing agenda item at COAG meetings;
- Requiring the Minister for Finance to table an annual red tape reduction report in Parliament;
- Commissioning an audit of all environmental legislation and regulation at Local, State and Federal levels to identify unworkable, contradictory or incompatible ‘green tape’; and
- Streamlining the grant application processes and simplifying the way the National Health and Medical Research Council assesses research grants.

< ISSUE #11 | WHAT NOW? ELECTION PROMISES AND WHAT THEY MEAN

INFRASTRUCTURE PROJECTS

Here is some of what the Coalition have committed to:-

- \$6.7 billion to fix Queensland's Bruce Highway;
- \$5.6 billion to complete the duplication of the Pacific Highway from Newcastle to the Queensland border;
- \$1.5 billion to get Melbourne's East West Link underway;
- \$1.5 billion to ensure the WestConnex project gets underway in Sydney;
- \$1 billion to support the Gateway Motorway upgrade in Brisbane;
- \$615 million to build the Swan Valley Bypass on the Perth to Darwin Highway;
- \$686 million to finish the Perth Gateway without a mining tax;
- \$500 million to support the upgrade of Adelaide's North-South Road Corridor;
- \$405 million to get Sydney's F3 to M2 started by late 2014, which will mean shorter travel times, reduced congestion and safer roads for the residents of the Central Coast;
- \$400 million to upgrade the Midland Highway in Tasmania; and
- \$300 million to finalise plans, engineering design and environmental assessments for the Melbourne to Brisbane inland rail.
- Start the Toowoomba Second Range Crossing underway
- \$25 million to upgrade the Great Ocean Road
- \$300 million to upgrade deteriorating bridges

QUOTE OF THE MONTH

"Every election is a sort of advance auction sale of stolen goods"

H. L. Mencken

DISCLAIMER

The material and contents provided in this publication provide important updates effecting business, individuals and superannuation funds. If you are not already on our mailing list and would like to subscribe, please contact us on (03) 8530 1600 or by email newsletter@koustras.com.au.

Alternatively, if you do not wish to receive future editions, please email newsletter@koustras.com.au to be removed from the distribution list.

While Koustras & Co believes that the information contained herein is reliable, no warranty is given to the accuracy and persons who rely on it do so at their own risk. This publication is intended to provide background information only and does not purport to make any recommendation upon which you may reasonably rely without taking specific advice. In particular, it should not be considered financial product advice for the purposes of the Corporations Act 2011.

< ISSUE #11 | WHAT NOW? ELECTION PROMISES AND WHAT THEY MEAN

OUR DIRECTORS



Contact details

Email: herc@koustras.com.au
Mobile: +61 418 965 482
Phone: +61 3 8530 1600

OUR MANAGERS



Contact details

Email: matthews@koustras.com.au
Mobile: +61 413 788 715
Phone: +61 3 8530 1600



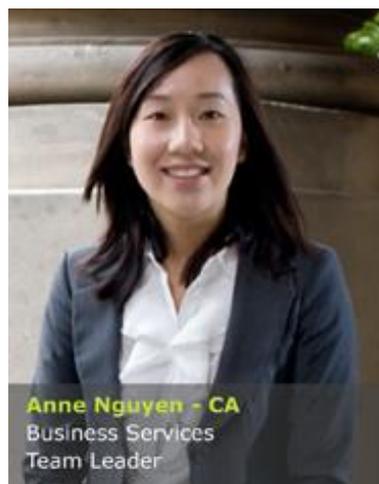
Contact details

Email: toby@koustras.com.au
Mobile: +61 419 526 574
Phone: +61 3 8530 1600



Contact details

Email: damiemb@koustras.com.au
Mobile: +61 418 621 023
Phone: +61 3 8530 1600



Contact details

Email: annen@koustras.com.au
Mobile: +61 401 831 138
Phone: +61 3 8530 1600



Contact details

Email: laurae@koustras.com.au
Mobile: +61 438 636 135
Phone: +61 3 8530 1600