Hayes Knight
Accountants & Business Advisers

Hayes Knight (NSW) Pty Ltd
ABN: 73 114 354 246
Level 2, 115 Pitt Street, Sydney NSW 2000
GPO Box 4565 Sydney NSW 2001
T: 02 9221 6666 F: 02 9221 6305
www.hayesknight.com.au

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Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: economics.sen@aph.gov.au

Dear Sir / Madam

# Tax Laws Amendment (Temporary Budget Repair Levy) Bill 2014

Thank you for the opportunity to make a submission to the Senate Economics Legislation Committee in relation to the Tax Laws Amendment (Temporary Budget Repair Levy) Bill 2014 and related bills.

Hayes Knight (NSW) Pty Ltd provides a significant amount of taxation advice to small and medium business and non-business taxpayers and we also provide advice to a large number of other accounting firms through the Knowledge Shop support service.

When it comes to the proposed budget repair levy, the primary comments we wish to make relate to the mis-match in the application dates for the budget repair levy and the increase in the fringe benefits tax rate.

Our understanding is that the budget repair levy will apply for three income years from 1 July 2014 until 30 June 2017 while the FBT rate will increase to 49% from 1 April 2015 until 31 March 2017.

The mis-match in the application dates for the budget repair levy and the increased FBT rate provides taxpayers with the opportunity to adopt salary packaging arrangements to take advantage of the lower FBT rate during the following periods:

- 1 July 2014 to 31 March 2015; and
- 1 April 2017 to 30 June 2017.

In some instances this will mean that taxpayers who would ordinarily have a taxable income of more than $180,000 will be able to avoid paying the budget repair levy for both the 2015 and 2017 income years (depending on their taxable income and their ability to enter into effective salary sacrifice arrangements). There would be much less scope for individuals to avoid paying the levy in the 2016 income year.

On the other hand, many taxpayers with a taxable income that does not exceed $180,000 will potentially bear an indirect tax cost associated with the levy with respect to their salary packaging arrangements.

The end result is that some taxpayers who would ordinarily have a taxable income of more than $180,000 may be able to avoid paying the levy for certain income years while other taxpayers who would ordinarily have a taxable income of $180,000 or less may indirectly bear the cost of the levy (eg, if their employers pass on the FBT liabilities associated with fringe benefits that have been provided to them).

While this may have already been factored in when the Federal Budget forecasts were being put together we wanted to ensure that this mist-match is apparent and the potential implications are clear.

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Thank you for your consideration of this submission. Should you have any queries then please do not hesitate to contact me

Yours faithfully

**Michael Carruthers**
**Director – Hayes Knight (NSW) Pty Ltd**