

# PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

## 2019 FEDERAL BUDGET UPDATE

April 2019

This week Treasurer Josh Frydenberg handed down his 2019-20 budget. In this newsletter we have listed some of the budget changes to help keep you up to date. We hope you find the insights timely and relevant. Please do not hesitate to contact us if you require further information regarding the content and the impact it may have on you.

### INDIVIDUAL TAXATION RATES

There is a proposed reduction in individual income tax rates for the 2023 financial year with reductions and elimination of tax brackets. The main driver for this is to offer lower rates of taxes to majority of Australian tax payers. 94% of Australian tax payers fall into the \$37,000 to \$90,000 bracket which will be reduced down to 30% and alter the lower threshold to \$45,000 and the upper to \$120,000. These measures are aimed at providing tax relief and removing the issue of bracket creep. Below outline the current tax rates applicable to 1 July 2018 until 30 June 2022:

RATE	LEGISLATED 2018 – 2022FY
0%	\$0 - \$18,200
19%	\$18,201 - \$37,000
32.50%	\$37,001 - \$90,000
37%	\$90,001 - \$180,000
45%	\$180,001 +

The proposed tax rates noted in the 2019 Federal Budget are as followed for the 2023 – 2024 year:

RATE	PROPOSED 2023 - 2024
0%	\$0 - \$18,200
19%	\$18,201 - \$45,000
32.50%	\$45,001 - \$120,000
37%	\$120,001 - \$180,000
45%	\$180,001 +

Further building on the 2019 Federal Budget objective to increase tax relief for a vast majority of Australian tax payers is to have the following rates applied for the 2025 financial year:

RATE	PROPOSED 2025
0%	\$0 - \$18,200
19%	\$18,201 - \$45,000
30%	\$45,001 - \$200,000
45%	\$200,001 +

## **INDIVIDUAL NON-REFUNDABLE TAX OFFSETS**

All of these measures are in aim of providing tax relief to majority of Australian households. The different proposals for 2023 Financial Year and onwards correlate with changes to low income tax offset (**LITO**) & middle to low income tax offsets (**LMITO**) that will apply from 1 July 2018 onwards. The 2018 Federal budget introduced the LMITO which is an additional non refundable income tax offset, valued to the upper threshold of \$530 for those individuals with a taxable income no greater than \$125,333. This offset, is designed to affect most tax payers has a stronger focus on those who have taxable incomes are at the higher end of the spectrum.

The Government has since increased this to \$1,080 as a maximum offset available. For individuals that fall eligible for this in the 2019 financial year could see around and additional \$20 per week increase in their take home pay or a larger tax refund. Below outlines a schedule for the LMITO that both is applicable for the 2019 financial year and the proposal for the 2020 financial year:

<b>LMITO – CURRENT</b>		<b>LMITO – PROPOSED</b>	
\$0 - \$37,000	Up to \$200	\$0 - \$37,000	Up to \$200
\$37,0001 - \$48,000	\$200 + 3% of excess over \$37,000	\$37,0001 - \$48,000	\$255 + 7.5% of excess over \$37,000
\$48,001 - \$90,000	\$530	\$48,001 - \$90,000	\$1,080
\$90,001 - \$125,333	\$530 – 1.5% of excess over \$90,000	\$90,001 - \$126,000	\$1,080 – 3% of excess over \$90,000
\$125,334 +	Nil	\$126,001 +	Nil

There is also discussion that related to changing these non-refundable tax offsets post 2020 financial year to correlate with changes in individual tax rates.

## **INDIVIDUAL MEDICARE LEVY THRESHOLDS**

This budget has seen a rise in Medicare Levy thresholds to apply for the 2019 financial year, allowing low income individuals and families to provide additional tax relief in conjunction with lowering tax rates and increasing non-refundable tax offsets.

A low-income family Medicare levy threshold will increase from \$37,089 to \$37,794 and for every dependent child that threshold increases by \$3,471.

In part with Medicare levy threshold expansion, the seniors and pensioners tax offset (SAPTO) has also increased allowing for an eligible couple or single to have a taxable income of \$49,304 or \$35,418 to enable access to the SAPTO resulting in more tax relief.

## **SMALL TO MEDIUM BUSINESS**

The ability for small business to access immediate asset write of up to the value of \$20,000, that was introduced in the 2015 budget has been extended and broadened for Australian businesses. The 2019 Federal Budget has announced that from 7:30pm 2 April 2019, business can have an immediate deduction for assets costing less than \$30,000 (GST exclusive, if registered) providing it is installed and ready for use as at 7:30pm 2 April 2019. This allows business to gain greater instant tax deduction for small business and this generous concession will remain in place until 30 June 2020.

Where this concession has been broadened, is to allow medium sized business access to the concession. A medium sized business is a business with aggregated turn over of less than \$50 million. As noted, this concession previously only applied to small businesses who had an aggregated turn over of less than \$10 million.

## **REQUIREMENT FOR ABN HOLDERS TO RETAIN STATUS**

To disrupt black economy behaviour, Australian Business (ABN) holders:

- With an income tax return obligation will be required to lodge their income tax return, from 1 July 2021, and
- Will be required to confirm the accuracy of their details on the Australian Business Register annually, from 1 July 2022

Currently, ABN holders are able to retain their ABN regardless of whether they are meeting their income tax return lodgement obligation or the obligation to update their ABN details.

## **SOCIAL SECURITY**

### **ENERGY ASSISTANCE PAYMENT**

Social Security pension recipients will receive a one-off Energy Assistance Payment by the end of the current financial year. The payment will be \$75 for singles and \$125 for couples combined and will be exempt from income tax.

### **REPORTING EMPLOYMENT INCOME**

#### **Single Touch Payroll**

The reporting of employment income for social security purposes will be automated through Single Touch Payroll (STP).

Under the current system, income support recipients who are employed are required to calculate and report their earnings on a fortnightly basis. Under the proposed changes, employment income will be reported through an expansion of STP data-sharing arrangements to include the Department of Human Services, for recipients with employers utilising STP.

The Government states this measure will assist income support recipients by reducing the likelihood of receiving an overpayment of income support payments.

## **SUPERANNUATION**

There have been no changes to superannuation contributions as a result of the 2019 Federal Budget which is no surprise after an in-depth overhaul conducted in the previous years. Although the Government have reviewed the ability for older Australians to contribute additional funds to superannuation in a non-concessional (after tax) manner which falls in line with the rising retirement age and the overall rise in the aging population.

### **NO WORK TEST FOR VOLUNTARY CONTRIBUTIONS EXTENDED TO AGE 66**

The Government have allowed Australians aged 65 and 66 to have the ability to access and contribute non-concessionally to their superannuation funds, without having to successfully pass the work test requirements. Note: This only applies for the period 1 July 2020 to 30 June 2021.

Under current legislation, for a person aged 65-74 to be eligible to make a voluntary superannuation contribution they must have already satisfied the work test during the financial year the contribution is made. The work test is satisfied where a person has been gainfully employed for 40 hours in a period of 30 consecutive days during the financial year.

### **BRING FORWARD RULE EXTENDED TO AGE 66**

People aged under 67 at any time during a financial year (eg: 65 and 66 year old's) will be able to trigger the non-concessional bring-forward rule.

Currently you must be under age 65 at any time during a financial year to trigger the bring forward rule.

The bring forward rule allows you to make up to three years' worth of non-concessional contributions, which are capped at \$100,000 a year, to your superannuation fund in a single year.

Our aim is to provide relevant information to inform and help create opportunities for our clients. Please note: many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation of the information's applicability to their particular circumstances. If you require further information regarding the contents of this newsletter, please do not hesitate to contact our office.