PALMER
& ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

NEWSLETTER

FEB 2019

With a Federal Election looming this year, there are potentially some significant changes coming your way. In this newsletter we have listed some of the proposed changes as well as relevant ATO news and reminders to help keep you up to date. Please do not hesitate to contact us if you require further information regarding the content and the impact it may have on you.

AUSTRALIAN LABOR PARTY PROPOSED IMPUTATION POLICY

In March, 2018, the Australian Labour Party (ALP) announced a proposal to end cash refunds of franking credits for individuals and superannuation funds.

Franking credits are 'attached' to most Australian dividend payments and are generated when a company pays tax and helps avoid company profits being taxed twice.

The franking credit is currently a refundable tax credit. This means franking credits reduce taxes owed or generate a refund if the franking credit total is more than the tax charged.

The proposed policy doesn't abolish the franking credits themselves as they can still be used to offset income tax payable, however refunds of excess credits will no longer be paid.

The *Pensioner Guarantee* announced by the ALP ensures that every recipient of an Australian Government pension or allowance with individual shareholdings will still be able to benefit from franking credit cash refunds.

It's important to remember that we don't know if the ALP will form the next government or how the policy might be implemented, so there is no need for investors to overhaul their investments just yet. In saying that, it would be wise to stay on top of the developments, as if the proposal is passed, investors may need to reconsider their investment strategies.

TIME TO CONSIDER MAKING AN EXTRA PERSONAL CONTRIBUTION TO YOUR SUPERANNUATION FUND

If elected, the ALP has signalled it will make a number of changes in relation to Superannuation:

- After-tax annual contribution limits to superannuation will be cut from $100,000 to $75,000.
- They will repeal the newly introduced concessional contributions (CC's) catch up rules.
- Changes that allowed all taxpayers to contribute to superannuation and claim a tax deduction for doing so (personal deductible contributions) will be reversed.
- They will also lower the income threshold for the extra 15 per cent tax high-income earners pay on concessional contributions from $250,000 to $200,000.

You may want to consider your financial circumstances to make the most of the current contribution rules that allow for more flexibility to contribute to your superannuation.

FURTHER ALP TAX POLICIES TO NOTE:

1. Restrict deductions on personal tax related expenses to a $3,000 cap per individual per year.
2. Reduce the maximum general CGT discount from 50% to 25%, with exceptions for:
   - Grandfathered investments;
   - Investments made by superannuation funds (which are effectively taxed at 10% after the CGT discount); and
   - Assets of small business owners
3. Limit negative gearing to investments in new housing, with grandfathering for pre-existing investments.
   Labor has proposed any losses from new investments in shares and existing properties will still be permitted to be used to offset investment income tax liabilities (but not against salary and wages). Any deferred losses can then be carried forward to offset the final capital gain on the investment.

NEW LOW AND MIDDLE INCOME TAX OFFSET

2018-19, 2019-20, 2020-21 & 2021-22 income years

Australian resident individuals (and certain trustees) whose income does not exceed $125,333 are entitled to the new low and middle income tax offset.

Entitlement to the new offset is in addition to the existing Low Income Tax Offset and is available on assessment after you lodge your income tax return.

If your income:

- does not exceed $37,000 you are entitled to $200
- exceeds $37,000 but does not exceed $48,000 you are entitled to $200 plus 3% of the amount of the income that exceeds $37,000
- exceeds $48,000 but not $90,000, you are entitled to $530
- exceeds $90,000 you are entitled to $530 less 1.5% of the amount of the income that exceeds $90,000.

New low income tax offset - 2022-23 and later income years

A new low income tax offset replaces both the current Low Income Tax Offset and the low and middle income tax offset. Consistent with the current Low Income Tax Offset, individuals with taxable income that does not exceed $66,667 (as well as certain trustees taxed on behalf of individuals) will be entitled to the new low income tax offset.

IS YOUR PERSONAL OR BUSINESS TAX RETURN OUTSTANDING FOR THE 2017 – 2018 YEAR?

Don't delay any longer - Please send in your information and we will get started on it immediately. You don't want to miss the ATO final lodgement date.

Click Here for our ITR Checklist

SIMPLER DEPRECIATION FOR SMALL BUSINESS

You can choose to use the simplified depreciation rules if you have a small business with an aggregated turnover (the total normal income of your business and that of any associated businesses) of less than:

- $10 million from 1 July 2016 onwards
- $2 million for previous income years
- Under these rules, from 7.30pm (AEST) on 12 May 2015 until 30 June 2019 you:
  immediately deduct the business portion of most depreciating assets that cost less than $20,000 each in the year you bought and used, or installed ready for use
- pool the business portion of most other depreciating assets that cost $20,000 or more in a small business asset pool and claim
  - a 15% deduction in the first year (regardless of when you purchased or acquired them during the year)
  - a 30% deduction each year after the first year
- write-off the balance of your small business pool at the end of an income year if the balance, before applying any other depreciation deduction, is less than $20,000.

The current instant asset write-off threshold is $20,000. This threshold applies until **30 June 2019**.

On 29 January 2019, the Prime Minister announced that the government will introduce legislation to increase the $20,000 instant asset write-off threshold to $25,000 from 29 January 2019 until 30 June 2020. This proposal is not yet law.