



Federal Budget Insight

2 April 2019

indianocean

**2019 FEDERAL BUDGET...
WHAT DOES IT MEAN FOR YOU?**



With it being an election year, there's no surprise that Treasurer, Josh Frydenberg, handed down a "Good News" 2019 Federal Budget by announcing a predicted budget surplus, tax cuts for individuals and businesses with turnovers of less than \$50m and big spending on health and education!

Remember: It is expected voters will go to the polls in May 2019 so it is still uncertain whether the announcements will become law.

"Immediate tax relief to address cost of living pressures"

PERSONAL TAXATION

The Government announced staged tax cuts by changing the thresholds and reducing rates.

Tax rates and thresholds

The following table reflects the Government's announced personal tax rate and threshold changes (highlighted in bold), excluding the 2% Medicare levy:

TAX RATES AND THRESHOLDS			
Rate	Current threshold 1 July 2018	New Threshold from 1 July 2022	New Threshold from 1 July 2024
0%	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$45,000	\$18,201 - \$45,000
30%	n/a	n/a	\$45,001 - \$200,000
32.5%	\$37,001 - \$90,000	\$45,001 - \$120,000	n/a
37%	\$90,001 - \$180,000	\$120,001 - \$180,000	n/a
45%	\$180,001+	\$180,001+	\$200,001+

Low and middle income tax offset (LMITO)

A further reduction in tax was announced through the non-refundable LMITO.

The offset will be delivered on assessments after an individual submits their tax returns for 2018-19, 2019-20, 2020-21 and 2021-22.

Low and middle income tax offset	
Rate	
\$0 - \$37,000	\$255
\$37,001 - \$48,000	\$255 plus 7.5% of excess over \$37,000
\$48,001 - \$90,000	\$1,080
\$90,001 - \$125,999	\$1,080 less 3% of excess over \$90,000
\$126,000 +	Nil

Low-income tax offset (LITO).

Low income tax offset	
Rate	
\$0 - \$37,500	\$700
\$37,001 - \$45,000	\$700 less 5% of excess over \$37,500
\$45,001 - \$66,667	\$325 less 1.5% of excess over \$45,000

"Individuals earning up to \$126,000 a year, will receive a tax cut"

PERSONAL TAXATION – Cont.

Medicare levy, tax rates unchanged but thresholds increased

The thresholds for singles, families, seniors and pensioners will increase from the 2018-19 tax year as follows:

Medicare Levy thresholds	
Individuals	\$22,398
Families	\$37,794 with an additional \$3,471 for each dependent child or student
Single seniors and pensioners	\$35,418
Family threshold for seniors and pensioners	\$49,304 plus \$3,471 for each dependent child or student

BUSINESS TAXATION

The Government is proposing to extend the Instant Asset write off to businesses with aggregate turnovers of less than \$50m and delay the previously announced changes to the Div7A rules.



Instant asset write-off threshold increased to \$30,000

The Government will increase the current instant asset write-off threshold from \$25,000 (as previously announced on 29 January 2019) to \$30,000 effective budget night (7.30pm AEDT on 2 April 2019) to 30 June 2020.

Instant asset write-off extended to medium sized businesses

In addition, the Government will extend the current instant asset write-off to businesses with an aggregated annual turnover less than \$50 million from Budget night until 30 June 2020.

As a result of this announcement, businesses with aggregated turnover of less than \$50 million will be able to immediately deduct purchases of eligible depreciating assets costing less than \$30,000 that are acquired and first used, or installed ready for use, on the appropriate date as announced.

Only a few assets are not eligible for the instant asset write-off or other simplified depreciation rules (e.g. horticultural plants and in-house software).

Assets valued \$30,000 or more (which cannot be immediately deducted) can continue to be placed into the general small business pool (the pool) and depreciated at 15% in the first income year and 30% each income year thereafter. The pool can also be immediately deducted if the balance is less than \$30,000 over this period (including existing pools).

The current “lock out” laws for the simplified depreciation rules (which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out) will continue to be suspended until 30 June 2019.

Deferral of Division 7A deemed dividend reform

The Government has announced that it will defer its proposed changes to the Division 7A deemed dividend rules. The changes were due to commence 1 July 2019 but have now been delayed to income years commencing after 1 July 2020.

Division 7A requires benefits provided by private companies to related taxpayers to be taxed as dividends unless they are structured as Div 7A complying loans or another exception applies.

The delay is welcomed and will allow further consultation on the measures announced to date.

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CORPORATE TAXATION

The Government remains committed to “backing small business” through tax cuts.

Fast track tax cuts

The Government said it plans to fast track the reduction of the corporate tax rate from 27.5% to 26% in 2020 and 25% in 2021 for all businesses with turnovers of less than \$50m.

The Government has announced that it has had significant success already in delivering tax cuts for small and medium sized businesses and they are looking at being able to continue to do this as the economy grows.

“Tax relief for 3.4m small and medium sized businesses to help reinvest in their business, create jobs and grow”

SUPERANNUATION

Proposed changes allow seniors to contribute more into their superannuation funds.



Voluntary super contributions for 65 and 66 year olds

From 1 July 2020 individuals aged 65 and 66 will be able to make tax deductible concessional and after tax non-concessional contributions into their superannuation funds without meeting the work test.

Currently individuals aged 65-74 must work at least 40 hours in any 30 day period in the financial year in which they make the contribution.

It is expected that around 55,000 people will be able to benefit from this change.

Extend access to the bring forward rule

Individuals aged 65 and 66 from 1 July 2020 will also be able to access the bring forward arrangements to increase after tax non concessional contributions (capped at \$100,000 per year) in a single year. This means \$300,000 can be contributed (subject to the \$1.6m fund balance cap) with no further contributions for a 2 years.

Spouse contribution age limit increase

The age limit for making spouse contributions will increase from 69 to 74.

OTHER MEASURES

Although not tax related, these measures are designed to help taxpayers.

One off tax free energy payment to pensioners

More than \$3.9m pensioners will receive a one-off Energy Assistance Payment to help with their living expenses and energy bills.

The payment of \$75 for singles and \$125 to couples will be exempt from income tax and will be paid automatically before 30 June 2019.

To be eligible you need to have qualified on 2 April 2019 for Age Pension, Carer Payment, Disability Support Pension, Parenting Payment Single, the Veterans' Service Pension and the Veterans' Income Support Supplement, Veterans' disability payments, War Widow(er)s Pension, and permanent impairment payments under the *Military Rehabilitation and Compensation Act 2004* (including dependent partners) and the *Safety, Rehabilitation and Compensation Act 1988*.

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OTHER MEASURES – Cont.

Single Touch Payment expansion

The Government will provide \$82.4m over 4 years from 2019-20 to the ATO to support the expansion of the collection of data through STP. It is proposed that more information about gross pay amounts and other details will reduce the burden for employers.

Refunds of Luxury car tax for farmers
Vehicles acquired on or after 1 July 2019, eligible primary producers (and tourism operators) will be able to apply for a refund of any luxury car tax paid (capped at \$10,000).

TAX COMPLIANCE AND INTEGRITY

The Government is providing funding to tackling unpaid income tax and superannuation, tax avoidance and the black economy!



Taskforce for Large Corporates

The Government will provide \$1.0bn over 4 years from 2019-20 to the ATO to extend the operation of the Tax Avoidance Taskforce.

Currently the Taskforce undertakes compliance activities focusing on multinationals, large public and private groups, trusts and high net-worth individuals.

The Taskforce is also focused on specialist advisors that promote tax avoidance schemes and strategies.

Tax integrity focus on unpaid tax and super

The Government will provide \$42.1m over 4 years to increase activities to recover unpaid tax and superannuation liabilities.

Black economy Taskforce: ABN rules

New compliance obligations will be imposed on ABN holders. Currently ABN holders can retain their ABN regardless of whether they are meeting their income tax filing obligations. From 1 July 2021, new requirements will make ABN holders more accountable for meeting their obligations.

ATO analytics

The Government will provide funding designed to increase benchmarking and analytical capabilities by migrating to an “alternative data centre facility”

For further information or to discuss any of the points included in this Insight, contact your usual IOG advisor on + 61 6489 0600

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