

## FEDERAL BUDGET 2019

### What are the changes and how it may affect you?

With the proposed budget fresh off the oven, looks like Australian taxpayers are about to benefit much. The Federal Budget 2019-20 contains a number of changes affecting individuals, small and medium business owners and superannuation funds. Read on to find out how does it affect you.

## INDIVIDUALS/ WORKERS

### Changes to personal income tax rates

From 1 July 2022, the Government will increase the upper threshold of the 19% personal income tax bracket from \$37,000 to \$45,000 and the upper threshold of the 32.5% tax bracket is increased from \$90,000 to \$120,000, with effect from 1 July 2022 (financial year 2023).

Rate	Current (2019-22)	Proposed (2023-24)
0%	\$0 – 18,200	\$0 -18,200
19%	\$18,201 – 37,000	<b>\$18,201 – 45,000</b>
32.5%	\$37,001 – 90,000	<b>\$45,001 – 120,000</b>
37%	\$90,001 – 180,000	\$120,001 – 180,000
45%	\$180,000+	\$180,000+

In addition to these changes, the marginal tax rate will be reduced from the current 32.5% to 30%, with the increase of the proposed 32.5% tax bracket upper threshold from \$120,000 to \$200,000 and abolish the 37% tax bracket.

### Immediate relief for low and middle income earners

Currently, if you earn less than \$66,667 annually, you are entitled to the Low Income Tax Offset

(LITO). The maximum LITO is currently sitting at \$445 on taxable income up to \$37,000.

In addition to this, The Low and Middle Income Tax Offset (LMITO) are also available for individuals who earn lesser than \$126,000 annually. If your income is below \$66,667, you are entitled to a portion of both LITO and LMITO.

Currently, LMITO applies from the 1 July 2018 to provide tax relief up to \$530, with a base amount of \$200. With the proposed changes, LMITO is to be increased to \$1,080, and the base amount increased to \$255 per year. These changes will apply from 1 July 2018.

From 1 July 2022, both LITO and LMITO are proposed to be replaced by a single LITO with a maximum tax offset of \$700.

### Changes to Medicare levy low-income threshold

With the Federal Budget, increase in the Medicare levy threshold is as follows.

	Medicare Levy Thresholds
Singles	From \$21,980 to \$22,398
Family	From \$37,089 to \$37,794
Single seniors and pensioners	From \$34,758 to \$35,418
Family seniors and pensioners	From \$48,385 to \$49,304

For each dependent child or student, the family income thresholds increase by a further \$3,471 (previously by \$3,406).

## **BUSINESS OWNERS**

### **Instant asset write-off**

The changes are applicable in twofold for small and medium businesses owners.

For small business owners, the instant asset write-off threshold is increased from \$25,000 to \$30,000. This applies on a per asset basis, so eligible businesses can instantly write off multiple assets from Budget night (7.30PM AEDT on 2 April 2019) until 30 June 2020. Only a few assets are not eligible such as horticultural plants and in-house software. Small business owners are those whose turnover is less than \$10 million in a year.

The real winner is medium business owners who are now eligible to make use of the \$30,000 instant asset write-off from Budget night. To be eligible, medium sized business must have an aggregated turnover of \$10 million or more, but less than \$50 million.

### **Single Touch Payroll**

For the purpose of reducing compliance burden for employers and individuals in transmitting information to multiple Government agencies, the Government has announced that it will improve the efficiency of data collected through Single Touch Payroll (STP) by the ATO.

STP is a new way of reporting tax and super information to the ATO through a specific payroll software. Currently, large employers (20 or more employees) should be reporting through STP and small employers (19 or less employees) will need to report through STP from 1 July 2019.

### **Proposed changes to Division 7A deferred**

The Government has also announced that it will defer the start date of the proposed Division 7A changes by one income year, from 1 July 2019 to 1 July 2020.

### **Strengthening the Australian Business Number system**

Currently, Australian Business Number (ABN) holders are able to retain their ABN regardless of whether they are meeting their income tax return lodgment obligation or the obligation to update their ABN details, despite their non-compliance.

The government will strengthen the ABN system to minimise this frowned upon economy behavior by requiring the ABN holders to lodge their income tax return if they have an obligation starting from 1 July 2021, and confirm the accuracy of their details on the Australian Business Register annually from 1 July 2022. This means, failing to comply with these might result in ABN being cancelled.

## **SUPERANNUATION FUNDS**

### **Work test for ages 65 and 66 years**

Currently, mandatory work test are required for individuals 65 to 69 years old for contributions made to their superannuation funds. With the new law, voluntary superannuation contributions (both concessional and non-concessional) is allowed to be made by those ages younger than 67 years, without having to meet work test from 1 July 2020. With these changes, member aged 67 and older will still need to satisfy the contribution work test.

However, the current law provides 'work test exemption' for recent retirees wanting to make voluntary superannuation contributions in the 2020 and later years. All requirements are to be satisfied for exemption to apply as follows:

- The member does not meet the work test on the contribution year.
- The member met the work test in the previous income year.
- The member had a total superannuation balance (TSB) below \$300,000 on 30 June of the previous income year.
- The individual has not previously relied on the work exemption to make contributions.

### **'Bring-forward rule' for ages 65 and 66 years**

While it was disallowed for those younger than 67 years old to access bring-forward rule under current law, the Government has announced that the specific group of people will now benefit by their eligibility to utilise this bring-forward rule without satisfying the work test.

### **Age limit increase for spouse contributions**

With the proposed Federal Budget, members of superannuation funds younger than 75 years old will now be able to receive spouse contributions.