



2019 Federal Budget

SUMMARY - INDIVIDUALS AND BUSINESSES

Top 15

BUDGET MEASURES FOR INDIVIDUALS AND BUSINESSES

1

IMMEDIATE CHANGES TO LOW AND MIDDLE INCOME TAX OFFSET (LMITO)

The LMITO will be changed such that the reduction in tax it provides will increase from a maximum amount of \$530 to \$1,080 pa, and the base amount will increase from \$200 to \$255 pa for the 2018/19 to 2021/22 income years.

Families with two people earning between \$48,000 and \$90,000 will receive \$2160. The LMITO will be received after individuals lodge their 2018/19 tax returns and will continue to be provided in addition to the LITO.

2

CHANGES TO 19% PERSONAL TAX BRACKET AND LOW INCOME TAX OFFSET (LITO) FROM JULY 2022

From 1 July 2022, the top threshold of the 19% personal tax bracket will increase to \$45,000 (up from \$41,000).

From 1 July 2022, the LITO will increase to \$700 (up from \$645). The increased LITO will be withdrawn at a rate of 5 cents per dollar between taxable incomes of \$37,500 and \$45,000 (instead of at 6.5 cents per dollar between taxable incomes of \$37,000 and \$41,000 as previously legislated). The LITO will then be withdrawn at a rate of 1.5 cents per dollar between taxable incomes of \$45,000 and \$66,667.

3

FURTHER CHANGES TO PERSONAL TAX RATES AND THRESHOLDS FROM JULY 2024

From 1 July 2024, the 32.5% marginal tax rate will be reduced to 30%.

From 1 July 2024, the 37% bracket will also be abolished.

4

IMMEDIATE ASSET WRITE-OFF THRESHOLD INCREASED AND EXPANDED TO MEDIUM SIZED BUSINESSES

The Government is increasing the instant asset write-off threshold from \$25,000 to \$30,000 and expanding access to medium-sized businesses with an annual turnover of less than \$50 million (from \$10 million previously). These changes will apply from 7:30pm (AEDT) on 2 April 2019 to 30 June 2020.

5

MEDICARE LEVY — LOW INCOME THRESHOLDS TO INCREASE

The Medicare levy low-income thresholds for singles, families, seniors and pensioners will be increased from the 2018/19 income year.

The threshold for singles will be increased to \$22,398 (up from \$21,980 in 2017/18). The family threshold will be increased to \$37,794 (up from \$37,089 in 2017/18). For single seniors and pensioners, the threshold will be increased to \$35,418 (up from \$34,758 in 2017/18). The family threshold for seniors and pensioners will be increased to \$49,304 (up from \$48,385 in 2017/18). For each dependent child or student, the family income thresholds increase by a further \$3,471 (up from \$3,406 in 2017/18).

6

REQUIREMENTS FOR AUSTRALIAN BUSINESS NUMBER (ABN) HOLDERS TO RETAIN THEIR STATUS

To disrupt black economy behaviour, 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 lodgment obligation or the obligation to update their ABN details.

7

FURTHER CONSULTATION TO DIV 7A AMENDMENTS; REFORMS DELAYED AGAIN

The start date of amendments to Div 7A of the Income Tax Assessment Act 1936 will be delayed by 12 months to 1 July 2020. The proposed amendments announced in the 2018 and 2016 Federal Budgets will undergo further consultation with stakeholders following feedback from stakeholders to a consultation paper issued in October 2018.

The amendments in the consultation paper included replacing the existing seven-year and 25-year model with a single 10-year model without a requirement for a formal written loan agreement and clarification as to when unpaid present entitlements come within the scope of Div 7A.

8

EXTENSION AND EXPANSION OF TAX AVOIDANCE TASKFORCE

The ATO will be given additional funding to extend the operation of the Tax Avoidance Taskforce and to expand the Taskforce's programs and market coverage.

The Taskforce undertakes compliance activities targeting multinationals, large public and private groups, trusts and high wealth individuals. It will use the additional funding to expand these activities, including increasing its scrutiny of specialist tax advisors and intermediaries that promote tax avoidance schemes and strategies.

9

ATO TO FOCUS ON RECOVERY OF TAX AND SUPER FROM BUSINESSES

The ATO will receive additional funding to increase activities to recover unpaid tax and superannuation liabilities.

These activities will focus on larger businesses and high wealth individuals to ensure on-time payment of their tax and superannuation liabilities. The measure will not extend to small businesses.

Top 15

BUDGET MEASURES FOR INDIVIDUALS AND BUSINESSES

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SHAM CONTRACTING UNIT TO BE ESTABLISHED

A dedicated sham contracting unit will be established within the Fair Work Ombudsman to address sham contracting behaviour engaged in by some employers, particularly those who knowingly or recklessly misrepresent employment relationships as independent contracts to avoid statutory obligations such as superannuation guarantee and other employment entitlements.

13

SUPERSTREAM TO BE EXPANDED

SuperStream will be expanded to include the transfer of information and money between employers, superannuation funds and the ATO. This change will take effect from 31 March 2021.

Currently, SuperStream is used as an information reporting mechanism between employers and superannuation funds. The most common transactions used in SuperStream are for employer contributions and member rollovers between funds. From 31 March 2021, the ATO will have the ability to send electronic requests via SuperStream to superannuation funds for the release of money from a member's account. A number of superannuation payment arrangements may be affected.

To coincide with this change, SMSF rollovers in SuperStream will be delayed until 31 March 2021 as well.

11

SPOUSE CONTRIBUTION TAX OFFSET ELIGIBILITY EXTENDED

Restrictions relating to an individual claiming a spouse contribution tax offset are proposed to be reduced from 1 July 2020. The easing of the rules is by giving spouses aged 70 to 74 eligibility if they meet the work test. Also, in line with other budget measures, spouses aged 65 and 66 will not need to meet the work test at all.

Although eligibility criteria has been extended for some spouses, there is no change announced to the:

- amount of the offset
- income limits of the spouse
- restrictions relating to the spouse's contributions caps, or
- non-refundable attribute of the offset itself.

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ENERGY ASSISTANCE PAYMENT

There will be a one-off Energy Assistance Payment of \$75 for singles and \$62.50 for each member of a couple eligible for qualifying payments on 2 April 2019 and who are resident in Australia.

Qualifying payments include the Age Pension, Carer Payment, Disability Support Pension, Parenting Payment Single, the Veterans' Service Pension etc.

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EXEMPT CURRENT PENSION INCOME CALCULATION STREAMLINED FOR SUPER FUNDS

Superannuation fund trustees will be allowed to calculate exempt current pension income (ECPI) on a preferred method basis from 1 July 2020.

Currently, some superannuation funds have a restriction on whether they can use the segregated method or proportionate method when calculating the ECPI. Also, funds which stop using the segregated method in an income year cannot go back to using it. From the 2020/21 financial year, all superannuation funds have the option to choose a preferred method of calculation.

Also, from 1 July 2020, an actuarial certificate will not be required for superannuation funds which have solely retirement phase accounts

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ACCEPTANCE OF SUPERANNUATION CONTRIBUTIONS ALLOWED FOR 65 AND 66 YEAR OLDS

Members of regulated superannuation funds have zero restrictions for making voluntary contributions prior to reaching 65 years of age. However, from 1 July 2020 the government intends to increase this age limit and allow 65 and 66 year olds to contribute.

Under the current SIS Regulations, members over 65 years of age must declare they have met the work test. This self-reported declaration must state that the member has worked for 40 or more hours in any 30 consecutive day period during that financial year.

The changes to the contribution rules apply to both concessional and non-concessional contributions. As no restrictions will apply for 65 and 66 year olds, this also means the three-year "bring-forward" contributions will be allowed. Therefore, more members will be entitled to make up to three years of non-concessional contributions in one financial year.

It is important to note, however, that individuals are currently eligible to make bring-forward contributions for part of the year they are 65.



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