

2019/20 BUDGET ANNOUNCEMENT



Being an election year, it wasn't surprising the Federal Budget announcement on 2 April 2019 provided a lot in the way of tax relief through increases in various tax offsets, increases in tax brackets and reductions in marginal rates of tax. As has become typical in past budget announcements the major tax relief announcements come in play after the next Government will have served their full term.

Treasurer Josh Frydenberg announced the first Budget surplus in more than a decade at \$7.1 billion for 2019-20 (last year's Budget forecasted budgeted surplus for 2019-20 was \$2.2b). The Government forecasts surpluses over the next 4 years totalling \$45 billion.

The Government growth projections are forecasted at 2.75% (lower than the 3% growth rate announced in last year's budget) with the Government's forecasted assumptions looking reasonable and realistically achievable (key commodity prices forecasted to fall slightly over the next few years along with terms of trade) with the improved budget forecasted on stronger job numbers and improved wage growth. There are however downside risks relating to higher debt levels, falling home prices and decreased appetite by the banks to lend.

The Government's key budget policy revolves around bringing forward and expanding on the major 7 year 3 step plan announced in last years budget to provide personal income tax relief to the majority of low and middle income taxpayers by flattening of tax rates and significant expansion of existing tax brackets.

Some of the key measures from the 2019-20 budget are outlined below:

PERSONAL TAX MEASURES

- Increasing the low and middle income tax offset (LMITO) up to \$1,080 from 2018-19 which is more than double the LMITO announced last year. The LMITO phases out at \$126,000 a year and will be available from the 2018-19 financial year.
- Lowering the 32.5% tax rate to 30% from the 1 July 2024 which will apply to taxpayers in the \$45,000 to \$200,000 tax bracket. From 1 July 2024 there will only be 3 personal tax rates 19%, 30% and 45%.

TAX RATES AND THRESHOLDS FOR 2018-19 ONWARDS

The following table reflects the Government's announced personal tax rate and threshold changes excluding the 2% Medicare Levy.

LOW AND MIDDLE INCOME TAX OFFSET (PROPOSED FOR 2018-19)

TAXABLE INCOME (TI)	LMITO
\$0 - \$37,000	\$255
\$37,001 - \$48,000	\$255 - (TI - \$37,000) x 7.5%
\$48,001 - \$90,000	\$1,080
\$90,001 - \$125,999	\$1,080 - (TI - \$90,000) x 3%
\$126,000 +	Nil

TAX RATES AND THRESHOLDS FOR 2018-19 ONWARDS

There are a number of changes proposed for tax offsets, tax brackets and lower tax rates all resulting in less individual tax being paid by taxpayers, with most of the measures commencing from 2022/23 financial year except. The following tables reflects the Government's announced personal tax rate and threshold changes excluding the 2% Medicare Levy.

RATE	2018 - 19 (CURRENT)	2018 - 19 (PROPOSED) TO 2021 - 22	2022 - 23 TO 2023 - 24
0%	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$37,000	\$18,201 - \$45,000
32.5%	\$37,001 - \$90,000	\$37,001 - \$90,000	\$45,001 - \$120,000
37%	\$90,001 - \$180,000	\$90,001 - \$180,000	\$120,001 - \$180,000
45%	\$180,001 +	\$180,001 +	\$200,001 +
LMITO	Up to \$530	Up to \$1,080	Removed
LITO	Up to \$445	Up to \$445	Up to \$700

PROPOSED TAX RATES FROM 2024 - 2025 ONWARDS

RATE	2022-23 to 2023-24
0%	\$0 - \$18,200
19%	\$18,201 - \$45,000
30%	\$45,001 - \$200,000
45%	\$200,001+
LMITO	Removed
LITO	Up to \$700

- There was no comment in the Budget about the proposal to remove the CGT main resident exemption for foreign residents which was announced in the 2017-18 Budget. It has been speculated that the Government may not proceed with this proposal.
- For 2018-19 the Medicare Levy low income threshold for singles will be increased to \$22,398 (\$21,980 for 2017/18). For couples with no children the family income threshold will be increased to \$37,794 (\$37,089 for 2017/18). The threshold is increased for each dependent child or student by \$3,471 (\$3,406 for 2017/18).

SMALL BUSINESS

- Increase in the instant asset write-off from \$25,000 to \$30,000, this is in effect now and applies to assets purchased after 7.30pm on 2 April 2019 up to 30 June 2020. This applies to small business with a turnover of up to \$50 million.
- The proposed Division 7A changes relating to shareholder loans has been deferred from 1 July 2019 to 1 July 2020 after consultation with industry.
- Additional funding of \$1bn will be provided over 4 years from 2019-20 to the ATO to extend the operation of the Tax Avoidance Taskforce to target tax compliance aimed at multinationals, large public and private groups, trusts and high wealth individuals.
- Additional funding of \$42.1 million over 4 years to the ATO to increase activities to recover unpaid tax and superannuation liabilities focusing on larger businesses and high wealth individuals.

SUPERANNUATION

- Work test exemption has been increased to 66 from 65, meaning those aged 65 and 66 from 1 July 2020 can make voluntary superannuation contributions without needing to satisfy the work test.
- The spouse contributions age limit increase has been increased from 69 to 74. Depending on the spouse's age, the spouse accepting the contributions will still need to satisfy the work test in order to accept the contributions. Subject to accepting the contribution, the spouse making the contribution would be eligible to claim the spouse superannuation tax offset.
- A delay in the start date to 1 October 2019 to ensure insurance withing superannuation is to be provided on an opt-in basis for accounts and balances less than \$6,000 and new accounts belonging to members under age 25.

OTHER INTERESTING BUDGET MEASURES

- New compliance obligations for ABN holders which will require ABN holders to lodge their income tax return from 1 July 2021 and from 1 July 2022 confirm the accuracy of their details on the Australian Business Register.
- Increased funding to increase the ATO's analytical capabilities.
- The Government will provide \$606.7 million over 5 years from 2018-19 to facilitate the respond to measures proposed in the Hayne Banking Royal Commission.
- Increase of \$60m in funding for the Export Market Development Grant (EMDG) The EMDG reimburses up to 50% of eligible export promotional expenses above \$5,000 provided the total expenses are at least \$15,000.
- Skills package seeks to create 80,000 new apprenticeships over 5 years in industries with skills shortages. The Government will double incentive payments to employers to \$8,000 per placement.

For further information on any of these budget changes and how they may impact your business or you please contact one of our accountants in [North Sydney](#) or [Crows Nest](#).

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