

FEDERAL BUDGET 2019 EDITION

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Highlights from the 2019 Federal Budget

Please note that the items contained within the Budget will not become law until the Budget is passed by the House of Representatives and the Senate and signed by the Governor General.

Personal Taxation

Low and Middle Income Tax Offset

- ▶ For the 2018/2019 financial year, the government will increase the Low and Middle Income Tax Offset. The non-refundable tax offset will increase from a previous maximum of \$530 to \$1,080.
- ▶ The offset will be available for the 2019, 2020, 2021 and 2022 income years and will be received as a lump sum on assessment after an individual lodges their tax return.
- ▶ Taxpayers with taxable incomes of \$37,000 or less will receive a benefit of up to \$255. Between \$37,000 and \$48,000, the value of the offset will increase at a rate of 7.5 cents per dollar to a maximum of \$1,080. Between \$48,000 and \$90,000 a \$1,080 offset applies. For taxable incomes from \$90,001 to \$126,000 the offset will phase out at a rate of 3 cents per dollar.

Changes to Personal Income Tax Rates

- ▶ From 1 July 2022, the government will increase the top threshold of the 19% personal income tax bracket from \$41,000 to \$45,000. All other marginal tax rate thresholds remain unchanged.
- ▶ From 1 July 2024, the 32.5% marginal tax rate will reduce to 30%. This is in addition to the changes already legislated to take affect from the 1 July 2014, to increase the upper threshold of the (now) 32.5% tax bracket from \$120,000 to \$200,000 and abolish the 37% tax bracket.

Increase in Medicare Levy Low-Income Threshold

- ▶ The Medicare Levy low-income thresholds will increase for the 2018-2019 income year. The increased thresholds will be:

singles	\$22,398
families	\$37,794
single Seniors and pensioners	\$35,418
family Seniors & pensioners	\$49,304



Business Taxation

Increase and expand access to the Instant Asset Write-Off

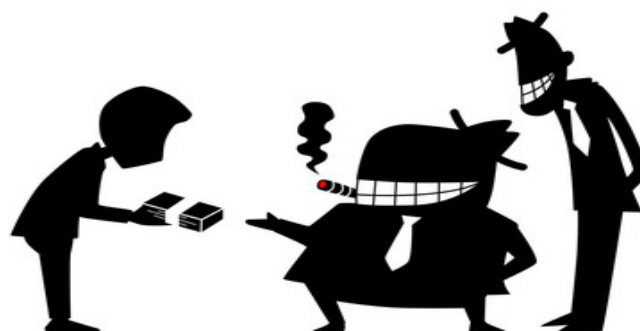
- ▶ The government will extend the immediate write-off for small business by a further 12 months to 30 June 2020 for businesses with aggregated annual turnover less than \$10 million.
- ▶ Increase the instant asset write-off from \$25,000 to \$30,000 for capital assets acquired after 7.30pm (AEDT) on 2 April 2019, that are first used, or installed ready for use by 30 June 2020.
- ▶ The government on 29 January 2019 had already announced an increase to the asset write-off threshold from \$20,000 to \$25,000. As of budget night this increase had not yet been legislated. When legislated, the increase to \$25,000 will apply during the period from 29 January 2019 to 7.30pm (AEDT) 2 April 2019.
- ▶ Medium sized businesses will also be able to immediately deduct purchases of capital equipment costing less than \$30,000 that are first used, or installed ready for use, from 7.30pm (AEDT) 2 April 2019 to 30 June 2020. A medium sized business is one with aggregated annual turnover of \$10 million or more, but less than \$50 million.

Proposed Division 7A changes deferred

- The start date for the proposed Division 7A changes has been deferred by one year, from 1 July 2019 to 1 July 2020.
- The government considers that delaying the start date by 12 months will allow additional time to further consult with stakeholders on issues raised, following the governments October 2018 consultative paper.

Black Economy Taskforce: Strengthening the Australian Business Number (ABN) s

- ▶ The government will strengthen the ABN system by imposing new compliance obligations for ABN holders to retain their ABN. 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.
- ▶ Commencing 1 July 2021, ABN holders with an income tax return obligation, will be required to lodge their income tax returns.
- ▶ Commencing 1 July 2022, any business with an ABN will be required annually to confirm the accuracy of their details on the Australian Business Register.



Superannuation Related Changes

Changes to the superannuation contribution rules

- ▶ The government has announced that it will allow voluntary superannuation contributions (both concessional and non-concessional) to be made by those aged 65 and 66 years without meeting the work test from 1 July 2020.
- ▶ On 7 December 2018 the government amended the SIS legislation to provide a 1-year exemption from the work test from 1 July 2019 for superannuation contributions by retirees ages 65-74. The exemption applies where all the following requirements are satisfied:
 - The member does not meet the work test in the contribution year;
 - The member met the work test in the previous year;
 - The member had a total superannuation balance below \$300,000 on the 30 June of the previous year;
 - The member has not previously relied on the work test exemption to make contributions.

- ▶ The government has announced that it will allow those aged 65 and 66 to make up to three years of non-concessional contributions under the bring forward rule, without satisfying the work test.
- ▶ The age limit for making spouse contributions will be increased from 69 to 74. Currently, those aged 70 and over cannot receive contributions made by another person on their behalf.



Insurance on an opt-in basis

- ▶ The government will delay the start date to 1 October 2019 for ensuring insurance within superannuation is only offered on an opt-in basis for members with account balances of less than \$6,000 and new accounts belonging to members under 25 years of age.

Other Changes

Eligible primary producers and tourism operators: Luxury Car Tax Refund

- ▶ The government will provide further relief to farmers and tourism operators by amending the luxury car tax refund arrangements. Vehicles acquired on or after 1 July 2019 by eligible primary producers and tourism operators will be able to apply for a refund of any luxury car tax paid, up to a maximum of \$10,000. Currently the maximum refund is \$3,000.
- ▶ Under the new refund arrangements, the eligibility criteria and types of vehicles eligible for the refund will remain unchanged. Eligible vehicles include certain four-wheel drives and all-wheel drive cars.

Concessional treatment for the forced sale of livestock under the Farm Household Allowance Program

- ▶ Over two years from 2018/2019, farmers receiving Farm Household Allowance ('FHA') will be able to exempt income from the forced sale of livestock from the FHA income test when that income is invested in a farm management deposit. The measure will ensure that FHA recipients who are destocking retain access to income support, while making long term plans.

If you have any questions in respect of the Federal Budget announcements and how they may impact your circumstances please contact our office.

Disclaimer

This publication is a guide only and does not represent advice. Anybody intending to apply the information to practical circumstances should contact our office in order to receive advice specific to your circumstances.

