

2019 FEDERAL BUDGET SYNOPSIS

We provide below a summary of the changes that were announced in Tuesday's federal budget and how they will impact you, your business and your superannuation. Please note the below changes have not passed through both houses of parliament and may be subject to change or variation.

Changes - Personal income tax

Immediate tax cuts for low to middle income earners: The Low and Middle Income Tax Offset (LMITO) was introduced in last year's Budget as an addition to the Low Income Tax Offset (LITO). The LMITO will increase for individuals and families, starting from the current financial year, with eligible low-to-middle income earners receiving a payment after submitting their tax return.

The base rate for the LMITO will increase from \$200 to \$255 and the maximum payment will increase from \$530 to \$1,080.

From 1 July 2022, both offsets will be replaced by a single low-income tax offset.

Extension to personal income tax cuts: Over the next five years, many Australians will receive a decrease to their income tax rate in one of three ways:

- I. The upper threshold for the 19% marginal tax rate will increase from \$37,000 to \$45,000.
- II. The 32.5% marginal tax rate will reduce to 30%.
- III. The 37% marginal tax rate will be abolished (this change has already been legislated).

These changes will be progressively rolled out between now and 1 July 2024, as shown in the table below.

Tax rates	To 30 June 2022	1 July 2022 to 30 June 2024	1 July 2024 onwards
Nil	Up to \$18,200	Up to \$18,200	Up to \$18,200
19%	\$18,201 – \$37,000	\$18,201 – \$45,000	\$18,201 – \$45,000
32.5% (30% from 1 July 2024)	\$37,001 – \$90,000	\$45,001 – \$120,000	\$45,001 – \$200,000
37%	\$90,001 – \$180,000	\$120,001 – \$180,000	N/A
45%	Above \$180,000	Above \$180,000	Above \$200,000

Changes - Business taxpayers

Instant asset write-off extended to more taxpayers, threshold up

There are 2 key changes:

- I. First, the write-off has been extended to medium sized businesses (turnover between \$10 million and \$50 million), where it previously only applied to small business entities (turnover less than \$10 million).
- II. The second important change is that the instant asset write-off threshold is to increase from \$25,000 to \$30,000. The threshold applies on a per asset basis, so eligible businesses can instantly write off multiple assets.

The threshold increase will apply from 2 April 2019 to 30 June 2020.

Proposed Div 7A amendments – start date deferred 12 months

The Government announced that it will defer the start date of the 2018-19 Budget measure, Tax Integrity - clarifying the operation of the Division 7A integrity rule, 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 these issues and to refine the Government's implementation approach, including to ensure appropriate transitional arrangements so taxpayers are not unfairly prejudiced".

Tax Avoidance Taskforce on Large Corporates etc: more funding

The Government will provide \$1.0bn over 4 years from 2019-20 to the ATO 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.

Tax exemption for North Queensland floods grants

The Government will provide an income tax exemption for qualifying grants made to primary producers, small businesses and non-profit organisations affected by the North Queensland floods.

Qualifying grants include Category C and Category D grants provided under the Disaster Recovery Funding Arrangements 2018, and grants provided under the On-Farm Restocking and Replanting Grants Program and the On-Farm Infrastructure Grants Program.

The exemption will apply where the grants relate to the monsoonal trough, which produced flooding that started on or after 25 January 2019 and continued into February 2019. The grants will be non-assessable non-exempt income for tax purposes.

Changes - Superannuation

No work test for voluntary contributions by people aged up to 66

The Government will update the superannuation contribution rules to allow people aged 65 and 66 to make voluntary contributions to superannuation without meeting the work test. Voluntary contributions include after-tax (non-concessional) contributions, tax-deductible (concessional) contributions, voluntary employer contributions and spouse contributions.

Bring forward rule extended to people up to 66

The Government will update the superannuation contribution rules to allow people aged under 67 to make three years' worth of after-tax (non-concessional) contributions in a single year. Under current contribution caps, that would enable under 67 year olds to contribute up to \$300,000 in one year.

Changes – Miscellaneous

Black Economy Taskforce: strengthening the ABN rules

The Government will strengthen the Australian Business Number (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.

Accordingly, from 1 July 2021, ABN holders with an income tax return obligation will be required to lodge their income tax return and from 1 July 2022 confirm the accuracy of their details on the Australian Business Register annually.

ATO increased funding

The Government will provide funding designed to increase the ATO's analytical capabilities.

The Government will also provide \$6.9 million over 4 years from 2019-20 to support additional analytical capabilities within the Treasury and other agencies.

We hope you found our synopsis useful. Please feel free to contact either Brendan Podevin or Cameron Wilson to discuss any of the above issues in more detail.

Kind regards



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