

2018 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

- **Targeted tax relief to low and middle income earners:** The Government will introduce the Low and Middle Income Tax Offset, a non-refundable tax offset of up to \$530 per annum to Australian resident low and middle income taxpayers. 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.
- From 1 July 2018, the Government will **increase the top threshold of the 32.5% personal income tax bracket from \$87,000 to \$90,000.**

Changes - Business taxpayers

- **Extending the \$20,000 immediate write-off for small business.** The Government will extend the \$20,000 immediate write-off for small business by a further 12-months to 30 June 2019 for businesses with aggregated annual turnover less than \$10 million. Small businesses will be able to immediately deduct purchases of eligible assets costing less than \$20,000 first used or installed ready for use by 30 June 2019.
- **Removing tax deductibility of payments where withholding obligations have been disregarded.** From 1 July 2019, businesses will no longer be able to claim a deduction for the following payments:
 - i. Payments to their employees such as wages where they have not withheld any amount of Pay As You Go ("PAYG") from these payments (i.e., despite the fact the PAYG withholding requirements apply).
 - ii. Payments made by businesses to contractors where the contractor does not provide an ABN and the business does not withhold any amount of PAYG (despite the withholding requirements applying).
- **Introduction of an economy-wide cash payment limit.** From 1 July 2019, the Government will introduce a limit of \$10,000 for cash payments made to businesses for goods and services. Currently, large undocumented cash payments can be used to avoid tax or to launder money from criminal activity. This measure will require transactions over the threshold to be made through an electronic payment system or cheque. Transactions with financial institutions or consumer to consumer non-business transactions will not be affected.
- **Expanding the contractor payment reporting system.** The contractor payment reporting system was first introduced in the building and construction industry and extended to the cleaning and courier industries from 1 July 2018. Under the contractor payment reporting system, businesses are required to report payments to contractors to the ATO. This brings payments to contractors in these industries into line with wages, which are reported to the ATO. The Government has announced it will further expand the contractor payment reporting system to the following industries:
 - i. security providers and investigation services;
 - ii. road freight transport; and
 - iii. computer system design and related services.

Businesses will need to ensure that they collect information from 1 July 2019, with the first annual report required in August 2020.

Changes - Superannuation

- **Exemption from the work test for voluntary contributions.** From 1 July 2019, the Government will introduce an exemption from the work test for voluntary contributions to superannuation, for people aged 65-74 with superannuation balances below \$300,000, in the first year that they do not meet the work test requirements.
- **Three-yearly audit cycle for some Self Managed Superannuation Funds ("SMSFs").** From 1 July 2019, the Government will change the annual audit requirement to a three-yearly requirement for SMSFs with a history of good record-keeping and compliance.
- **Increasing the maximum number of allowable members in an SMSF and small Australian Prudential Regulation Authority ("APRA") fund.** From 1 July 2019, the Government will increase the maximum number of allowable members in new and existing SMSFs and small APRA funds from four to six.
- **Preventing inadvertent concessional cap breaches by certain employees.** From 1 July 2018, the Government will allow individuals whose income exceeds \$263,157, and who have multiple employers, to nominate that their wages from certain employers are not subject to the superannuation guarantee (SG). The measure will allow eligible individuals to avoid unintentionally breaching the \$25,000 annual concessional contributions cap as a result of multiple compulsory SG contributions. Employees who use this measure could negotiate to receive additional income, which is taxed at marginal tax rates.

Changes – Miscellaneous

- **Deductions denied for vacant land.** From 1 July 2019, the Government will deny deductions for expenses associated with holding vacant residential or commercial land, including interest incurred to finance the acquisition of the land. Deductions for expenses associated with holding the land will be available once a property has been constructed on the land, it has received approval to be occupied and is available for rent. Denied deductions will not be able to be carried forward for use in later income years, however, denied deductions can be included in the cost base of the land.
- **Taxation of income for an individual's fame or image.** From 1 July 2019, high profile individuals are no longer able to take advantage of lower tax rates by licencing their fame or image to another entity.

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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