

# Federal Budget 2019

2 April 2019

## A Coalition Election Pitch

The handing down of the Federal Budget was historically an opportunity for the Government of the day to announce its legislative program for Revenue measures for the next twelve months.

The bringing forward of the 2019/20 Federal Budget prior to the forthcoming Federal Election together with the content of the Government's Revenue and expenditure measures unashamedly represents the Government's manifesto for the Election.

Not many Revenue measures but plenty of spending announcements. A Budget surplus is forecast to credentialise the Government's responsible economic management.

One cannot get too excited about the lolly bag of goodies the Government has announced tonight – not at least until after the Election. Even then, whichever party is in power will more than likely need to deal with a hostile Senate.

Accordingly, my Budget Brief tonight is a summary of the salient Revenue announcements made by the Federal Treasurer Josh Frydenberg in his first Budget address.

The document can be viewed in comparison with the ALP's much publicised tax changes which I attach.

Post the Election we can pull the relevant summary out and then start to reflect on the implications of the proposed legislative platform of the successful Party(s) on your specific personal financial management strategy.

Prior to then it is unfortunately mere speculation.

## Revenue measures

Mr Frydenberg was at pains to point out no new taxes were introduced tonight. Of course, this is to contrast the ALP's proposed tax measures previously announced. One thing to watch out for is the Government trying to pass previously announced tax changes in the days/weeks before the Federal Election is called.

### Increase in lower- and middle-income rebate

As an Election incentive, the tax rebate for lower- and middle-income earners was increased.

Under the changes, the reduction in tax provided by the Lower- and Middle-Income Tax Offset (LMITO) will increase from a maximum amount of \$530 to \$1,080 per annum. The base amount will increase from \$200 to \$255 per annum for the 2018-19, 2019-20, 2020-21 and 2021-22-income years. This is effectively a retrospective tax cut.

### Post Budget 2018/19 Resident Australian Tax Tables:

Taxable Income \$	Income Tax \$	% on Excess	Medicare	Total
0-18,200	Nil	Nil	0%	0%
18,201-37,000	Nil <b>b</b>	19.0%	2% <b>a</b>	21.0%
37,001-90,000	3,572 <b>c</b>	32.5%	2%	34.5%
90,001-180,000	20,796 <b>d</b>	37.0%	2%	39.0%
180,001 +	54,096	45.0%	2%	47.0%

- Medicare is not payable where your taxable income is less than \$21,980 (2017/18) or \$22,398 (2018/19).
- Low Middle Income Tax Offset (LMITO) of \$255 (previously \$200) available to taxpayers whose taxable income is less than \$48,000.
- Low Middle Income Tax Offset (LMITO) of up to \$1,080 available (previously \$530) to taxpayers whose taxable income is between \$48,000 and \$90,000.
- Low Middle Income Tax Offset (LMITO) phases out at the rate of \$0.03 per dollar between \$90,000 and \$120,000.

## Superannuation changes

### Superannuation and Insurance

The Government has deferred until 1 October 2019, the ability for life insurance within Superannuation to be only offered on an opt-in basis for the following members:

- Aged Under 25 Years of Age, and
- Have a Member's balance of less than \$6,000.

From 1 October 2019 legislation will ensure that smaller balance Superannuation accounts are not rapidly eaten away with insurance premiums for younger workers with small superannuation balances.

### Work Test Relaxation of Rules – Superannuation

Under current rules, where voluntary Superannuation contributions are made between the ages of 65 to 74, a work test is generally required to be met by the member. The Work Test definition is being engaged in employment of 40 hours within 30 consecutive days within a financial year for gain or reward.

The proposed changes from 1 July 2020 will relax the current rules and result in superannuation members aged 65 and 66 to be eligible to make voluntary superannuation contributions both concessional and non-concessional without meeting a work test.

The three year 'bring forward' rules for non-concessional Superannuation contributions allowing a lump sum contribution of up to \$300,000 are also proposed to be updated to allow access to these rules by those aged 65 and 66 (Members with Total Superannuation Balances under \$1.6 million) from 1 July 2020.

### Spouse contributions

From 1 July 2020, the age limit for a person making a spouse contribution will be increased from age 69 to age 74.

Currently a tax offset of up to \$540 is available in respect of eligible contributions made on behalf of a spouse. The spouses adjusted taxable income must be under \$37,000 to obtain the full \$540 tax offset.

The spouse may need to meet the work test to accept the contribution so this age increase may be of limited benefit.

### Reduced Compliance costs for SMSF's

From 1 July 2020 SMSF's 100% in Pension Mode will no longer be required to obtain Actuarial Certificates.

## Small business tax changes

### Good news!

### Deferral of Division 7A change start date

The Government announced a deferral of the proposed changes to the anti-avoidance provisions in Division 7A. These changes were proposed to alter the rules with respect to loans from Private Companies to related parties.

Any changes to the rules will now not take place until 1 July 2020.

### Small Business Instant Asset Write off up to \$30,000 for businesses with a turnover of up to \$50 million

Effective from Budget Night the Government will:

- a. increase the instant asset write-off threshold from \$25,000 to \$30,000, and
- b. make the write off available for medium sized enterprises with an aggregated turnover less than \$50 million.

The change was not made retrospective for small businesses with a turnover of up to \$10 million that already benefit from the instant asset write of \$25,000 for assets installed ready for use on or after 29 January 2019 but before Budget Night.



The write off applies on an asset by asset basis.

To summarise:

Period asset must be installed ready for use (may not be later than the purchase date)	Available to:	Asset purchase write off Per asset purchased
1 July 2018 to 29 January 2019	Businesses with aggregated turnover of up to \$10 million.	\$20,000
From 29 January 2019 to 2 April 2019	Businesses with aggregated turnover up to \$10 million.	\$25,000
From 2 April 2019 to 30 June 2020	Businesses with aggregated turnover up to \$50 million.	\$30,000

## What was not mentioned in the Budget

- **The Fame Tax on name image and likeness. No legislation yet nor expected before July 2019.**
- **Abolition of the Main Residence Exemption for non-residents selling their Australian main residence.** The legislation is still stalled in the Parliament and no announcement has been made concerning the controversial measure.
- **Disallowance of deductions for vacant land.** The measure is still in draft legislation form but has not passed the Parliament.
- **No abolition of Luxury Car Tax (but should I wait to buy the Tesla, Porsche, BMW or Mercedes?).** There is an increase in the refund of luxury car tax for primary producers and tourism operators from \$3,000 to \$10,000 for eligible 4X4 vehicles acquired after 30 June 2019. If Australia signs the anticipated free trade agreement with the EU, the expectation is that the LCT will be dropped at that time but no details as yet.

## Increased funding for aged care

The Government will provide \$282.4 million over five years from 2018–19 for the release of an additional 10,000 home care packages across the four package levels. The Treasurer said this will bring to 40,000 the number of new packages announced over the last 18 months.

The Government is also providing a \$320 million general subsidy boost in 2018–19 for residential aged care and 13,500 new residential care places.

We encourage you either for yourself or elderly relatives to register for Aged Care Packages. Even if you feel support is not warranted now it is best to at least get 'in the system'.

You can apply for home care support for a variety of services not just medical or personal care.

