



1. Personal Income Tax Changes

1.1 Personal Income Tax Plan

The Government will introduce a seven-year, three-step, Personal Income Tax Plan, as follows:

Step 1: 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.

The benefit of the proposed Low and Middle Income Tax Offset is as follows:

- ◆ Taxpayers with taxable incomes of \$37,000 or less will receive a benefit of up to \$200;
- ◆ For taxpayers with taxable incomes between \$37,000 and \$48,000, the value of the offset will increase at a rate of three cents per dollar to the maximum benefit of \$530;
- ◆ For taxpayers with taxable incomes from \$48,000 to \$90,000 a \$530 offset applies;
- ◆ For taxpayers with taxable incomes from \$90,001 to \$125,333, the offset will phase out at a rate of 1.5 cents per dollar.

Note: The benefit of the Low and Middle Income Tax Offset is *in addition* to the Low Income Tax Offset.

Step 3: Ensuring Australians pay less tax by making the system simpler

In the third step of the Personal Income Tax Plan the Government will simplify and flatten the personal tax system by removing the 37% tax bracket entirely. From 1 July 2024, the Government will extend the top threshold of the 32.5% personal income tax bracket from \$120,000 to \$200,000. The 32.5% tax bracket will apply to taxable incomes of \$41,001 to \$200,000 and taxpayers with taxable incomes exceeding \$200,000 will pay tax at the top marginal rate of 45%.

1.2 Medicare Levy To Remain Unchanged

The Government has announced that it will not proceed with the previously announced increase in the Medicare levy from 2% to 2.5% of taxable income from 1 July 2019. Consequential changes to other tax rates that are linked to the top personal tax rate, such as the fringe benefits tax rate, will also not proceed.

1.3 Cash Refunds On Excess Dividend Imputation Credits

In contrast to Labor's divisive proposal, Mr Morrison said the government opposes "unfair tax grabs on retirees and pensioners" and the cash refund arrangement for excess dividend imputation credits will not be changed.

LITO Current (2018 and 2019)		LAMITO Proposed (2019)	
0 – 37,000	Up to \$445	0 – 37,000	Up to \$200
37,001 – 66,666	\$445 – 1.5% of excess over \$37,000	37,001 – 48,000	\$200 + 3% of excess over \$37,000
66,667+	Nil	48,001 – 90,000	\$530
		90,001 – 125,333	\$530 – 1.5% of excess over \$90,000
		125,334+	Nil

Step 2: Protecting middle income Australians from bracket creep

The Government has proposed the following changes to the personal income tax rates:

1. 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. The rates below do not include the Medicare Levy.

Rate	Current (2018)	Proposed (2019)
0%	\$0 – \$18,200	\$0 – \$18,200
19%	\$18,201 – \$37,000	\$18,201 – \$37,000
32.5%	\$37,001 – \$87,000	\$37,001 – \$90,000
37%	\$87,001 – \$180,000	\$90,001 – \$180,000
45%	\$180,001+	\$180,001+

2. From 1 July 2022, the Government will:
 - Extend the 19% personal income tax bracket from \$37,000 to \$41,000; and
 - Further increase the top threshold of the 32.5% personal income tax bracket from \$90,000 to \$120,000.

The Government has also proposed an increase to the Low Income Tax Offset from \$445 to \$645 from 1 July 2022. This offset will reduce at a rate of 6.5 cents per dollar between incomes of \$37,000 and \$41,000, and at a rate of 1.5 cents per dollar between \$41,000 and \$66,667.



2. Changes affecting business taxpayers

2.1 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. Only a few assets are not eligible (such as horticultural plants and in-house software).

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool (the pool) and depreciated at 15% in the first income year and 30% each income year thereafter. The pool can also be immediately deducted if the balance is less than \$20,000 over this period (including existing pools).

Further to this, the current 'lock out' laws for the simplified depreciation rules (preventing small businesses from re-entering the simplified depreciation regime for five years if they opt out) will continue to be suspended until 30 June 2019.

2.2 Restart Wage Subsidies

Access to this subsidy for Australians 50 and over will be expanded, with businesses given financial incentives of up to \$10,000 to hire mature-age employees.

2.3 Removing Tax Deductibility of Non-Compliant Payments

What is the proposed measure?

Tax deduction would not be allowed for the following where PAYG is not withheld from:

- ◆ Wages;
- ◆ Payments made by businesses to contractors where the contractor does not provide an ABN

2.3 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 a 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.

2.4 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:

- security providers and investigation services;
- road freight transport; and
- 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. A new online form will make the reporting process easier.

3. Superannuation Related Changes

3.1 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. Under current law, the work test restricts the ability to make voluntary superannuation contributions for those aged 65-74 to individuals who self-report as working a minimum of 40 hours in any 30 day period in the financial year.

The work test exemption will give recent retirees additional flexibility to get their financial affairs in order in the transition to retirement.

3.2 Three Yearly Audit Cycle For Some 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. This measure will reduce red tape for SMSF trustees that have a history of three consecutive years of clear audit reports and that have lodged the fund's annual returns in a timely manner.

3.3 Increasing The Maximum Number Of Allowable Members In An SMSF And Small 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. This will provide greater flexibility for joint management of retirement savings, in particular for large families.

3.4 Superannuation Exit Fees Banned, Charges Capped

Exit fees charged upon changing funds will be banned as of 1 July 2019 and passive fees charged on accounts with balances of less than \$6,000 will also be capped at 3 per cent.

3.5 Super Reunification

In a move estimated to see \$6 billion returned to three million super fund members by 2020, the Australian Taxation Office will have increased abilities to "proactively" find and send lost superannuation to members and their accounts.

Accounts which haven't been touched for at least 13 months will see monies below \$6,000 transferred to the ATO which will then use data-matching to find the saver's active account. This program will begin from 1 July 2019.

3.6 Opt In To Life Insurance

From 1 July 2019, superannuation funds will no longer be able to force Australians younger than 25 to pay for life insurance policies.

4. Other Budget Announcements

4.1 Aged Care Support Package

A multi-million dollar aged-care and retiree package, including 20,000 new home care places; incentives for retirees to start new businesses; and changes to income tax to allow retirees to earn more money without having their pension payments affected.

4.2 Pension Work Bonus

From 1 July 2019, pensioners in paid work will be able to earn up to an extra \$1,300 a year before seeing any impact on their pension.

Self-employed pensioners will for the first time have the ability to earn up to an extra \$7,800 a year.

As it stands, pensioners can earn up to \$250 a fortnight without impacting pension eligibility. This change will see that figure increased to \$300.