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2019/20 Federal Budget

(These changes are subject to the current Coalition Government being returned at the Federal Election, and the changes being passed by both houses of Parliament)

1. Personal Income Tax Changes

1.1 Personal Income Tax Rates

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

1. From 1 July 2022, the Government will increase the upper threshold of the 19% personal income tax bracket to $45,000. Note that the rates below do not include the Medicare Levy.

Rate	Current (2018 to 2022)	Proposed (2023 & 2024)
0%	$0 – $18,200	$0 – $18,200
19%	$18,201 – $37,000	$18,201 – **$45,000** **[a]**
32.5%	$37,001 – $90,000	**$45,001** – $120,000 **[b]**
37%	$90,001 – $180,000	$120,001 – $180,000
45%	$180,001+	$180,001+

Notes:

[a] The upper threshold of the 19% bracket has already been increased to $41,000 from 1 July 2022.

[b] The upper threshold of the 32.5% bracket has already been increased to $120,000 from 1 July 2022.

2. From the 2025 income year, the **32.5% marginal tax rate will be reduced to 30%**. This is in addition to changes already legislated for 2025, increasing the upper threshold of the 32.5% bracket to $200,000 and abolishing the 37% tax bracket.

1.2 Changes for Low and Middle Income Earners

The Low and Middle Income Tax Offset (LMITO) is a non-refundable tax offset that is intended to benefit Australian resident low and middle income taxpayers. Currently the LMITO applies from the 2019 income year to provide tax relief of up to $530, with a base amount of $200.

The Government has announced that it will increase the LMITO with effect from the 2019 income year, to provide tax relief of up to $1,080 per annum, as well as an increased base amount of $255 per annum. The increased LMITO will be available for the 2019 to 2022 income years, and will be received on your income tax assessment, after individuals lodge their income tax return.

The current and proposed LMITO apply as follows:

LMITO Current (2019 to 2022)		LMITO Proposed (2019 to 2022)	
0 – $37,000	Up to $200	0 – 37,000	Up to **$255**
37,001 – 48,000	$200 + 3% of excess over $37,000	37,001 – 48,000	**$255 + 7.5%** of excess over $37,000
48,001 – 90,000	$530	48,001 – 90,000	**$1,080**
90,001 – 125,333	$530 – 1.5% of excess over $90,000	90,001 – **126,000**	**$1,080 – 3%** of excess over $90,000
125,334+	Nil	**126,001+**	Nil

The LMITO is in addition to the current Low Income Tax Offset (LITO). The maximum LITO amount is currently $445 per annum.

From 1 July 2022 both the LMITO and LITO will be replaced by a single LITO. In the 2018/19 Federal Budget last year, the Government announced that the maximum single LITO will be $645.

In the current 2019/20 Federal Budget, the Government has now announced that the maximum single LITO will be increased to $700. The increased LITO will be reduced at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000. LITO will then be reduced at a rate of 1.5 cents per dollar for taxable incomes between $45,000 and $66,667.

2. Changes affecting business taxpayers

2.1 Increasing and Expanding Access to the Asset Immediate Write-off

The Government has announced that it is increasing and expanding access to the instant asset write-off with effect from Budget night (i.e. 7:30pm AEDT on 2 April 2019) until 30 June 2020.

The changes are:

- Increasing the instant asset write-off from **$25,000 to $30,000**. This threshold applies on a per asset basis, so eligible businesses can instantly write-off multiple assets.
- Making the instant asset write-off available to medium sized businesses. A medium sized business is defined as a business with turnover of $10 million or more, but less than $50 million.

The Government made an earlier announcement on 29 January 2019 to increase the instant asset write-off from $20,000 to $25,000, however to date the legislation for that announcement still has not passed.

Small businesses (with a turnover of less than $10 million) will be able to immediately deduct purchases of eligible assets costing **less than $30,000** that are first used, or installed ready for use, **from Budget night up to 30 June 2020**.

Small businesses can continue to place assets that do not meet the immediate write-off rules into the general small business pool, and depreciate those assets at 15% in the first income year, and 30% in subsequent income years. A low pool balance (i.e. before the current year depreciation is deducted), can also be immediately deducted if it is less than the applicable instant asset write-off threshold at the end of the income year.

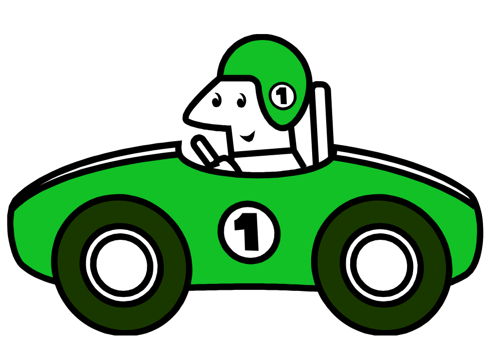
Further to this, the lock-out laws for the simplified depreciation rules (where small businesses are normally prevented from re-entering the simplified depreciation regime for 5 years if they opt out), will continue to be suspended until 30 June 2020.

2.2 Expanding Single Touch Payroll

The Government has announced that it will support the expansion of the data collected through Single Touch Payroll (STP) by the ATO, and the use of this data by Commonwealth agencies. Initially the STP information will be available for social security purposes, ie. Centrelink.

STP data will be expanded to include more information about gross pay amounts and other details. These changes will reduce the compliance burden for employers and individuals reporting information to multiple Government agencies.

Furthermore, from 1 July 2020, the Government will simplify and automate the reporting of any employment income for welfare recipients through STP.



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3. Superannuation Related Changes

3.1 Changes to the Superannuation Contribution Rules

a) Removing the work test for those aged 65 and 66 years

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, with effect from 1 July 2020.

Currently people aged 65 to 74 years can generally only make voluntary superannuation contributions if they satisfy the work test.

An individual satisfies the work test in a particular income year where they are 'gainfully employed' on at least a part-time basis during the income year in which the contributions are made. For these purposes, this will be the case where the member was gainfully employed for at least 40 hours in a period of not more than 30 consecutive days in the income year in which the contribution is made.

Note however that the current law does provide a limited work test exemption for recent retirees wishing to make voluntary superannuation contributions in the 2020 and later income years.

This exemption applies where **all** of the following requirements are satisfied:

- The member does not meet the work test in the contribution year; and
- The member met the work test in the previous income year; and
- The member had a total superannuation balance below $300,000 on 30 June of the previous income year; and
- The individual has not previously relied on this work test exemption to make contributions.

b) Access to the 'bring-forward rule' for those aged 65 and 66 years

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.

Under the current law, those aged 65 and over cannot access the bring-forward arrangements.

c) Increasing the age limit for spouse contributions

Individuals up to and including the age of 74 will be able to receive spouse contributions (with those aged 65 and 66 no longer needing to meet a work test).

Currently those aged 70 and over cannot receive spouse contributions.

3.2 Insurance on an Opt-in Basis

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

These changes will protect the retirement savings of young people and those with low balances by ensuring that their superannuation is not unnecessarily eroded by premiums on insurance policies they do not need or are aware of.

4. Other Budget Announcements

4.1 Increased Refunds for Eligible Primary Producers and Tourism Operators

The Government will provide further relief to farmers and tourism operators by amending the luxury car tax refund arrangements. For vehicles acquired on or after 1 July 2019, 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 primary producers and tourism operators may be eligible for a partial refund of the luxury car tax paid on eligible four-wheel or all-wheel drive cars, up to a maximum refund of $3,000.

The eligibility criteria and types of vehicles eligible for the current partial refund will remain unchanged under the new refund arrangements.

4.2 Addressing Sham Contracting

The Government will provide substantial funding to establish a dedicated sham contracting unit (within the Fair Work Ombudsman) to address sham contracting behaviour engaged in by some employers.

This measure is targeted at those who knowingly or recklessly misrepresent employment relationships as independent contracts to avoid employment and statutory obligations.

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