Federal Budget (2019-20) Summary

Key Measures & Points

- More than doubling of the low and middle income tax offset to $1,080 from 2018-19. Taxpayers earning up to $126,000 a year will receive this tax cut.
- Forecast budget surplus of $7.1 Billion for 2019-20 and further surpluses in the following 3 years (a total of $45 Billion over 4 years)
- Economy is forecast to grow by 2.75% in 2019-20 and 2020-21
- Lowering the 32.5% tax rate to 30% from 1 July 2024. This will cover all taxpayers earning between $45,000 and $200,000 and would mean that 94% of taxpayers will pay no more than 30 cents in the dollar
- From 2024-25, there would only be 3 personal income tax rates – 19%, 30% and 45%
- Increasing the instant asset write-off from $25,000 to $30,000, with effect from 7:30pm (AEDT) on 2 April 2019. The write-off threshold will also be extended to apply to businesses with a turnover of up to $50 million - this will only apply to 30 June 2020.
- $100 billion on infrastructure over the next decade to reduce congestion and improve links between Australia's cities and regional towns (a lot of which has already been announced)
- An immediate one-off rebate on energy costs to pensioners, of $75 for an individual or $125 for couples.
- Changes to Work test for Super contributions for those aged 66 and 67
- EMDG scheme - extra $60 million in funding over the next 3 years to help more businesses export their products and services around the world.

Federal Budget (2019-20) – Summary Other Significant Measures

- Annual confirmation to retain ABN (Australian Business Number) via lodgement of Annual Tax Return
- Defer by 12 months the start date of the proposed Div 7A amendments to 1 July 2020.
- Tax exemption for grants to primary producers, small businesses and non-profit organisations affected by the North Qld floods.
- Extra $1 billion in funding over 4 years to extend the operation of the Tax Avoidance Taskforce and expand its coverage.
- LCT relief for farmers and tourism operators.
- Increasing of the Medicare levy low-income thresholds
- The current tax relief for merging super funds will be made permanent (it was due to expire on
- 1 July 2020).
- Exempt current pension income calculation to be simplified for super funds.
- 3.5 billion package to reduce emissions to meet Australia's commitments under the Paris accord
- Spending on rural infrastructure was forecast to rise by nearly 30%, with $4.5 billion to be spent on building roads in country areas
- Increased spending on healthcare, to a record $89.5 billion in 2022-23, up nearly 10% on expected spending in 2019- 20.
- Super Spouse Contribution extended from age 69 to 74 from 1 July 2020

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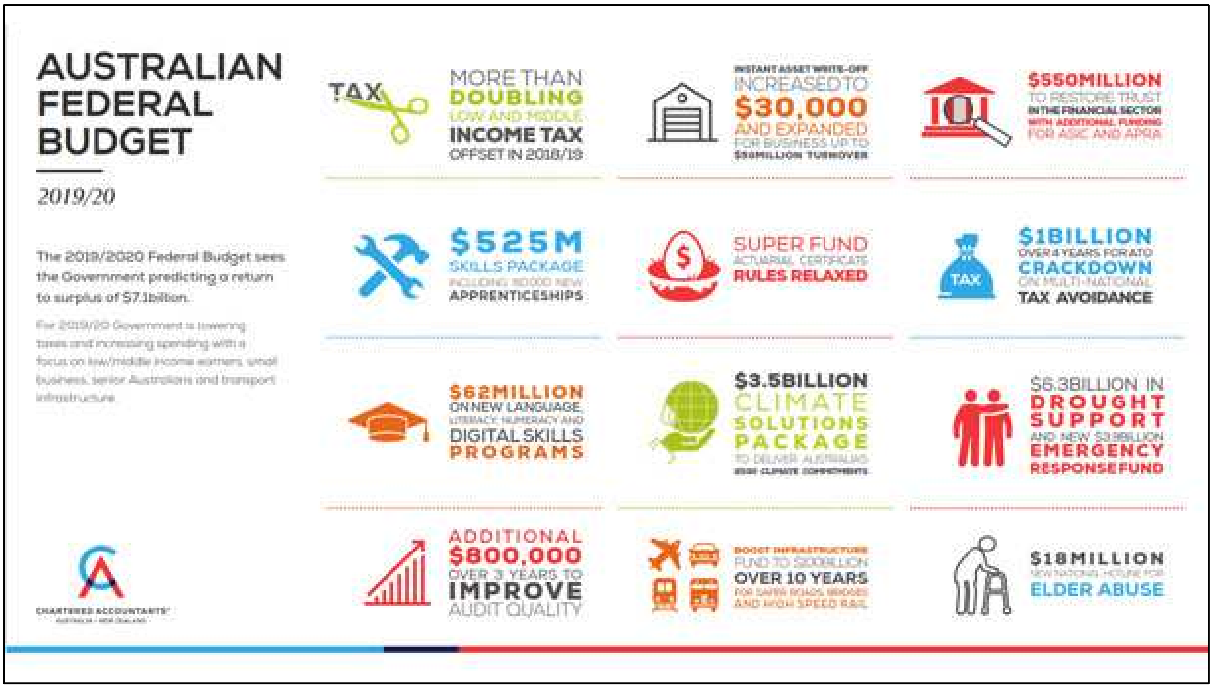
Selected Budget Measures in more detail

- **Removal of CGT main residence exemption for foreign residents still in limbo :** Budget silent on this. There was no comment in the Budget about the proposal to remove the CGT main residence exemption for foreign residents. It has been speculated that the Government may not proceed with it.
- **Medicare levy low-income thresholds for 2018-19 :**
  - For the 2018-19 income year, the Medicare levy low-income threshold for singles will be increased to $22,398 (up from $21,980 for 2017-18). For couples with no children, the family income threshold will be increased to $37,794 (up from $37,089 for 2017-18). The additional amount of threshold for each dependent child or student will be increased to $3,471 (up from $3,406).
  - For single seniors and pensioners eligible for the SAPTO, the Medicare levy low-income threshold will be increased to $35,418 (up from $34,758 for 2017-18). The family threshold for seniors and pensioners will be increased to $49,304 (up from $48,385), plus $3,471 for each dependent child or student
- **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 issued a consultation paper in October 2018 (comments closed on 21 November 2018) seeking stakeholder views on the proposed implementation approach for the amendments to Division 7A of the ITAA 1936. The Government said it received valuable feedback from stakeholders which highlighted that this is a complex area of the tax law and raised implementation issues that warrant further consideration.
- **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. This measure is intended to allow the Taskforce to expand these activities, including increasing its scrutiny of specialist tax advisors and intermediaries that promote tax avoidance schemes and strategies
- **Tax integrity focus on unpaid tax and super by larger businesses :** The Government will provide $42.1 million over 4 years to the ATO to increase activities to recover unpaid tax and superannuation liabilities. These activities will focus on larger businesses and high wealth individuals (HWI) to ensure on-time payment of their tax and superannuation liabilities. However, the measure will not extend to small businesses.
- **Super contributions work test exemption extended to age 66 :** The Budget confirmed the Treasurer's announcement on 1 April 2019 that individuals aged 65 and 66 will be able to make voluntary superannuation contributions from 1 July 2020 (both concessional and non-concessional) without needing to meet the contributions work test. The ITAA 1997 will also be amended to extend to those aged 65 and 66 access to **the bring forward arrangements** for non-concessional contributions. The bring forward rules currently allows individuals aged less than 65 years to make 3 years' worth of non-concessional contributions (which are generally capped at $100,000 a year) in a single year. This will be extended to

those aged 65 and 66. Otherwise, the existing annual caps for concessional contributions and non-concessional contributions ($25,000 and $100,000 respectively) will continue to apply

- **Exempt current pension income calculation to be simplified for super funds :** Superannuation fund trustees with interests in both the accumulation and retirement phases during an income year will be allowed to choose their preferred method of calculating exempt current pension income (ECPI). The Government will also remove a redundant requirement for superannuation funds to obtain an actuarial certificate when calculating ECPI using the proportionate method, where all members of the fund are fully in the retirement phase for all of the income year. Date of effect 1 July 2020.
- **Release authorities to be included in SuperStream Rollover standard** : The Government will provide $19.3m over 3 years from 2020-21 to the ATO to send electronic requests to superannuation funds for the release of money required under a number of superannuation arrangements. The start date of self-managed superannuation (SMSF) funds rollovers in SuperStream will be delayed to coincide with the expansion of the SuperStream Rollover Standard. Date of effect 31 March 2021
- **Super insurance opt-in rule for low-balances - delayed start date confirmed :** The Government confirmed that it will delay the start date to 1 October 2019 for ensuring 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 age 25.
- **Increased LCT refunds for farmers and tourism operators :** The Government announced that it will provide further relief to farmers and tourism operators by amending the luxury car tax (LCT) 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
- **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.
- **Funding for Government response to Banking Royal Commission:** The Government will provide $606.7 million over 5 years from 2018-19 to facilitate the Government's response to the Hayne Banking Royal Commission
- **EMDG scheme - extra $60 million in funding :** The Budget confirmed it will invest an additional $60 million in the export market development grants (EMDG) scheme over the next 3 years to help more businesses export their products and services around the world. The EMDG scheme reimburses up to 50% of eligible export promotion expenses above $5,000 provided that the total expenses are at least $15,000. It provides up to 8 grants to each eligible application.To be eligible, a business must have:
    - income of not more than $50 million in the grant year;
    - incurred at least $15,000 of eligible expenses under the scheme (first-time applicants can combine 2 years expenses); and
    - principal status for the export business (some exceptions apply, such as non-profit export-focused industry bodies)

- **Skills package – new apprenticeships, incentive payment, training :** The Budget announced a new $525 million skills package. It seeks to create 80,000 new apprenticeships over 5 years in industries with skills shortages. The Government will double incentive payments to employers to $8,000 per placement. These new apprentices will also receive a $2,000 incentive payment. This payment will provide: Employers a total of $4,000 ($2,000 after 12 months and $2,000 at completion), in addition to the existing standard employer incentives of $1,500 at commencement and $2,500 at completion of an apprenticeship. Apprentices a total of $2,000 ($1,000 after 12 months and $1,000 at completion).
- **Aged care initiatives :** The Government will provide $282.4 million over 5 years from 2018-19 for the release of an additional 10,000 home care packages across the 4 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
- **Social security income to be automatically reported via Single Touch Payroll :** The Government will automate the reporting of employment income for social security purposes through Single Touch Payroll (STP). The measure is expected to save $2.1 billion over 5 years from 2018-19



Should you have any queries on an aspect of the budget, please do not hesitate to contact us.

Note: These changes are proposals only and may or may not be made law.