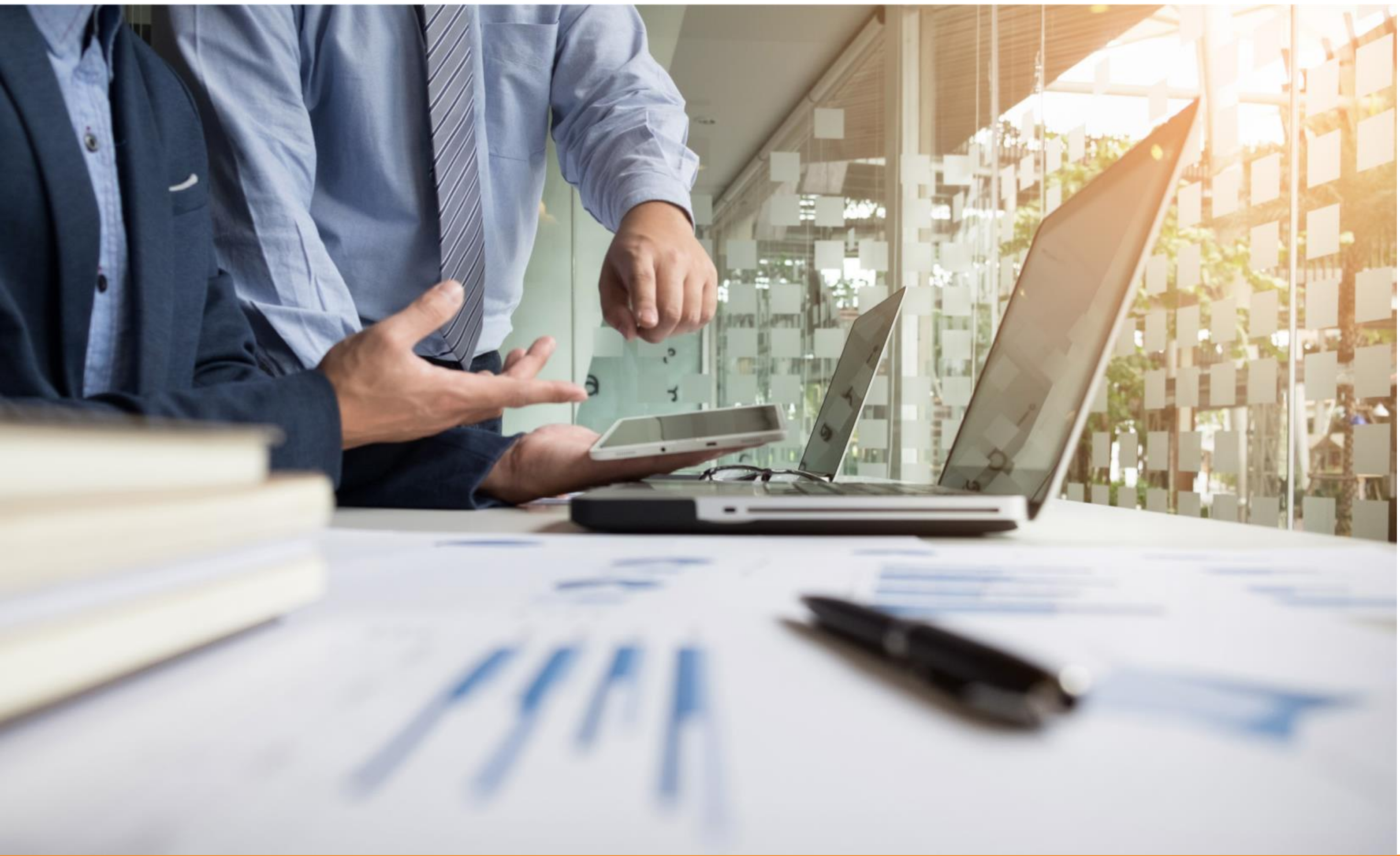
30 Keymer Street
BELMONT WA 6104
Phone: (08) 9416 2222
Web: www.byfieldswealth.com.au



FEDERAL BUDGET REPORT 2019

Byfields Wealth Management
4 April 2019

IN THIS ISSUE

INTRODUCTION

With only a month to go until the Federal Election, it's unsurprising that the Budget announcements on Tuesday centred on election-friendly promises such as tax cuts and increased funding to healthcare, aged care services and infrastructure, and featured a forecast return to surplus. Treasurer Josh Frydenberg's first Budget focuses on reducing the tax burden for the majority of working Australians, greater superannuation flexibility for retirees and a one-off energy relief payment for eligible income support recipients.

It is important to remember that the Budget announcements are still only proposals at this stage. Each of the proposals must be passed by Parliament before they're legislated.

BUDGET SUMMARY

In 2018/19

- Low and middle income earners will benefit from tax savings as a result of an increase in the low and middle income tax offset.
- The instant asset write-off threshold will increase from $20,000 to $30,000 for small and medium sized businesses with aggregated turnover of less than $50 million.
- A one-off payment will assist eligible social security and DVA recipients with the cost of energy bills.
- Aged Care funding will increase.

From 1 July 2019

- The Partner Service Pension will be available to former spouses of veterans.

From 1 July 2020

- People aged 65 and 66 will be able to make voluntary super contributions without having to meet the work test.
- The age limit for spouse contributions will increase to 74.
- More flexibility will be provided when calculating exempt current pension income.

PERSONAL INCOME TAX

A number of personal income tax changes have been proposed.

INCREASE TO THE LOW AND MIDDLE INCOME TAX OFFSET

The Government will increase the non-refundable Low and Middle Income Tax Offset (LMITO) for the 2018-19, 2019-20, 2020-21 and 2021-22 financial years. As illustrated in the below table the maximum offset will increase from $530 to $1,080 per annum and the base amount will increase from $200 to $255 per annum.

Taxable income	Tax offset
Nil to $37,000	Up to $255
$37,001 - $47,999	$255 + [(taxable income - $37,000) x 7.5 cents]
$48,000 - $89,999	$1,080
$90,000 - $126,000	$1,080 - [(taxable income - $90,000) x 3 cents]
$126,000+	Nil

The LMITO will be received as a lump sum after the individual lodges their tax return from 1 July 2019. The LMITO will be removed from 1 July 2022.

CHANGES TO THE LOW INCOME TAX OFFSET FROM 1 JULY 2022

The Government will increase the maximum Low Income Tax Offset (LITO) from $645 to $700 per annum from 1 July 2022. As illustrated in the following table the increased LITO will reduce for taxable income above $37,500 per annum and will cut out for taxable income above $66,667 per annum.

Taxable income	Tax offset
Nil to $37,500	Up to $700
$37,500 - $45,000	$700 - [(taxable income - $37,500) x 5 cents]
$45,001 - $66,667	$325 - [(taxable income - $45,000) x 1.5 cents]
$66,667+	Nil

The LITO was previously legislated to be withdrawn at a rate of 6.5 cents per dollar between taxable income of $37,000 and $41,000 per annum and then withdrawn at a rate of 1.5 cents per dollar between taxable income of $41,000 and $66,667 per annum from 1 July 2022.

INCREASE THE TOP THRESHOLD OF THE 19% PERSONAL INCOME TAX BRACKET FROM 1 JULY 2022

The Government will increase the top threshold of the 19% personal income tax bracket from $41,000 to $45,000 per annum from 1 July 2022.

The increase to the top threshold of the 19% personal income tax bracket and the changes to the LITO from 1 July 2022 will lock in the reduction in tax provided by the LMITO when the LMITO is removed from 1 July 2022

REDUCING THE 32.5% MARGINAL TAX RATE FROM 1 JULY 2024

The Government will reduce the 32.5% marginal tax rate to 30% from 1 July 2024. The Government has already legislated to remove the 37% personal income tax bracket from 1 July 2024.

2024-25 marginal tax rate	2024-25 tax bracket
Nil	Up to $18,200
19%	$18,201 - $45,000
30%	$45,001 - $200,000
45%	$200,000+

With these changes, by 2024-25 around 94% of Australian taxpayers are projected to face a marginal tax rate of 30% or less.

INCREASE TO MEDICARE LEVY LOW-INCOME THRESHOLDS

The 2018-19 financial year Medicare Levy low-income thresholds will be indexed for individuals and families. The threshold for singles will increase to $22,398 per annum and, for families with no children, increase to $37,794 per annum.

For individuals and couples who are eligible for the Seniors and Pensioners Tax Offset (SAPTO), the thresholds will increase to $35,418 per annum and $49,304 per annum respectively. The additional threshold amount for each dependent child or student will increase to $3,471 per annum.

	2018-19	2017-18
Single	$22,398	$21,980
Single eligible for SAPTO	$35,418	$34,758
Family	$37,794	$37,089
Couple eligible for SAPTO	$49,304	$48,385
Additional threshold for each dependent child	$3,471	$3,406

SUPERANNUATION

SUPERANNUATION CONTRIBUTIONS FOR OLDER AUSTRALIANS

Date of effect: 1 July 2020

The work test will no longer need to be met to make voluntary contributions (concessional or non-concessional) to super from 1 July 2020 for those aged 65 and 66. The ability to utilise the bring-forward rule will also be amended to allow individuals less than age 67 to contribute a greater amount to superannuation. This means the work test requirements will align with Age Pension age which will be 67 from 1 July 2023.

There is no change to other criteria, such as the total superannuation balance, which will limit the ability to make non-concessional contributions.

The removal of the work test would provide the opportunity for those eligible clients to:

- make non-concessional contributions
- make concessional contributions including catch-up contributions
- implement a recontribution strategy
- manage tax, including capital gains tax
- claim the spouse contribution tax offset or co-contributions (if eligible), and
- transfer foreign superannuation into an Australian superannuation account.

SPOUSE CONTRIBUTIONS UP TO AGE 74

Date of effect: 1 July 2020

The age limit for spouse contributions will increase to 74. Currently spouse contribution can only be made if the receiving spouse is under age 70. Additional flexibility will be provided by the removal of the work test for those aged 65 and 66. From age 67 to 74, the work test would need to be satisfied by the receiving spouse.

Making spouse contributions is a simple strategy that enables that spouse's superannuation to be boosted. This may be used as a means of equalising the superannuation interests of both members of the couple. It may also entitle the contributing spouse access to the spouse contribution tax offset.

There is no change to other criteria, such as the total superannuation balance.

INSURANCE IN SUPERANNUATION

Date of effect: 1 October 2019

Part of the Government's Protecting Super Package included the provision of insurance in superannuation on an opt-in basis for accounts with balances of less than $6,000 and for members under age 25. The original start date for this was 1 July 2019, however it has been deferred until 1 October 2019.

CALCULATION OF EXEMPT CURRENT PENSION INCOME

Date of effect: 1 July 2020

Trustees of superannuation funds will be able to choose the method they use to calculate exempt current pension income (ECPI) for funds with members in both pension and accumulation phases.

The requirement for superannuation funds to obtain an actuarial certificate to calculate ECPI under the proportionate method when all the members are in retirement phase will be removed.

This measure would be primarily of interest to SMSF trustees.

BUSINESS OWNERS

SMALL BUSINESS INSTANT ASSET WRITE-OFF

Date of effect: From 2 April 2019

The Government will increase the threshold for the immediate asset write-off from $20,000 to $30,000. This is an extension from the already announced measure to increase to $25,000 from 29 January 2019 to 30 June 2020.

The measure will also extend from small businesses with aggregated turnover of less than $10 million to medium sized businesses with aggregated turnover of less than $50 million.

The higher write-off threshold will apply for eligible assets that are first used or installed ready for use from 7.30pm on the Budget night until 30 June 2020.

SOCIAL SECURITY

ENERGY ASSISTANCE PAYMENT

The Government has announced a one off, income tax exempt payment of $75 for singles and $125 for couples who were on a qualifying payment on 2 April 2019. The payment is to help assist with their next power bill and cost of living expenses.

Qualifying payments include:

- Age Pension/Service Pension;
- Carer Payment;
- Disability Support Pension;
- Parenting Payment Single; and
- DVA War Widow(er)s Pension, Income Support Supplement, and disability payments

The payment will be tax free and not counted as income for social security purposes.

AUTOMATING THE REPORTING OF EMPLOYMENT INCOME

The Government has announced that from 1 July 2020, income support recipients who are employed will have their employment income shared with the Department of Human Services through Single Touch Payroll (for employers who use this system).

This will help create efficiencies with more accurate reporting of incomes, reducing the likelihood of overpayments to income support recipients.

PARTNER SERVICE PENSIONS

The Government has announced that from 1 July 2019 they will align the eligibility to the partner Service Pension of former partners who are legally married and former de-facto partners of veterans.

Currently, former partners who are legally married will lose their pension if they have been separated for 12 months or more, unless they are Age Pension age or special domestic circumstances (including domestic violence) apply. However, de-facto partners who separate from the veteran will have their pensions cease immediately.

If legislated, both former spouses and former de-facto partners of veterans will be able to continue to receive the partner Service Pension after their relationship with their veteran partner has ended, including as a result of family or domestic violence.

AGED CARE

BETTER ACCESS TO CARE

Date of effect: 1 July 2018

More funding will be available to improve the quality, safety and accessibility of residential and home care services, including:

- a one-off increase to the basic subsidy for residential aged care recipients from 2018-19 and 13,500 additional residential aged care places
- the release of an additional 10,000 home care packages across the four package levels, and
- an increase to the dementia and the veterans' home care supplements
- developing an end-to-end compliance framework for the Home Care program, including increasing auditing and monitoring of home care providers.

OTHER CHANGES

Further funding and changes to be made as announced by the government include:

- an extension of funding for the Commonwealth Home Support Programme (Meals on Wheels, home maintenance, nursing etc.)
- simplification of aged care means testing forms that need to be completed when entering residential aged care
- prioritisation of additional support for young carers to enable continued participation in education and training