



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

BUDGET WRAP-UP

2019

Overview

The 2019-20 Budget has been delivered in April 2019, a month earlier than usual, and is expected to be shortly followed by the proroguing of the Parliament for the 2019 election. In this context, it can be seen as an unofficial start of the Coalition's election campaign.

The foundation of the 2019-20 Budget is the Treasurer's announcement that the budget will return to surplus in 2019-20, with a projected surplus of \$7.1 billion (0.4 per cent of a total federal budget of around \$500 billion). The surplus benefits from a substantial increase in revenue from company tax, based on strong commodity prices, which has more than offset a softer outlook for household consumption, dwelling investment and average wages.

As widely anticipated, the Treasurer has announced an accelerated program of tax cuts, building on the low and middle income tax relief announced in the 2018-19 Budget. An increase to the Low and Middle Income Tax Offset will be available for most taxpayers for 2018-19, provided the Government can secure passage of the required legislation through the Parliament. Proposed major reform of income tax rates and thresholds would see most Australians facing a marginal tax rate of 30 per cent from 1 July 2024.

The Government has also announced an extension of its infrastructure investment program, with major projects including high speed rail between Geelong and Melbourne and additional funding for urban congestion and strategic road projects.

The budget contains few new savings measures, with the vast majority of new savings coming from a more efficient administration of income support payments using Single Touch Payroll data.

Some other major announcements in the 2019-20 Budget include:

- ▶ A one-off Energy Assistance Payment for recipients of income support
- ▶ An increase to the value and eligibility for the instant asset write off for small and medium sized business up to \$50M turnover
- ▶ Changes to voluntary superannuation contribution rules for people aged 65 and over.
- ▶ Significant funding to implement the Government's response to the Financial Services Royal Commission.

Personal Income Tax

The Government will lower taxes for individuals by building on its Personal Income Tax Plan, which was announced in the 2018-19 Budget.

LOW AND MIDDLE INCOME TAX OFFSET

The Government will extend the Low and Middle Income Tax Offset (LMITO) by increasing the base amount from \$200 to \$255 per year and the maximum amount from \$530 to \$1,080 per year.

Taxpayers with income between \$48,000 and \$90,000 will be eligible to receive the maximum offset of \$1,080. The offset phases out with incomes up to \$126,000.

The new amounts will apply for the 2018-19 financial year which means, provided the Government can legislate these changes in the three Parliamentary sitting days in April, the offset will apply to tax returns lodged from 1 July 2019.

The LMITO is due to end on 30 June 2022.

LOWER TAXES FOR LOW AND MIDDLE INCOME EARNERS

From 1 July 2022, the Government will extend the threshold for the 19 per cent tax rate from \$41,000 to \$45,000. The Government will also increase the Low Income Tax Offset from \$645 to \$700 per year. Taken together, these changes make up for the removal of the LMITO on 30 June 2022.

FURTHER STRUCTURAL CHANGES TO THE TAX SYSTEM TO DELIVER LOWER TAXES

From 1 July 2024, the Government will reduce the 32.5 per cent tax rate to 30 per cent, abolish the 37 per cent tax rate and increase the threshold for the 30 per cent tax rate to \$200,000.

Treasury estimates these changes will result in 94 per cent of Australian taxpayers facing a marginal tax rate of 30 per cent, which will apply to incomes between \$45,001 and \$200,000.

INCREASING MEDICARE LEVY FOR LOW-INCOME THRESHOLDS

The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from the 2018-19 income year. New thresholds will account for recent movements in the CPI.

- ▶ The threshold for singles will be increased from \$21,980 to \$22,398.
- ▶ The family threshold will be increased from \$37,089 to \$37,794.
- ▶ For single seniors and pensioners, the threshold will be increased from \$34,758 to \$35,418.
- ▶ The family threshold for seniors and pensioners will be increased from \$48,385 to \$49,304.
- ▶ For each dependent child or student, the family income thresholds increase by a further \$3,471, instead of the previous amount of \$3,406.

NEW PERSONAL TAX RATES AND THRESHOLDS

Rate (%)	INCOME RANGE (\$)		
	Current tax thresholds from 1 July 2018	New tax thresholds from 1 July 2018	New tax thresholds from 1 July 2022
Tax free	0 - 18,200	0 - 18,200	0 - 18,200
19	18,201 - 37,000	18,201 - 37,000	18,201 - 45,000
32.5	37,001 - 90,000	37,001 - 90,000	45,001 - 120,000
37	90,001 - 180,000	90,001 - 180,000	120,001 - 180,000
45	180,000+	180,000+	180,000+
Low and middle income tax offset	Up to \$530	Up to \$1,080	-
Low Income Tax Offset (LTO)	Up to \$445	Up to \$445	Up to \$700

Rate (%)	New tax thresholds from 1 July 2024 (\$)
Tax free	0 - 18,200
19	18,201 - 45,000
30	45,001 - 200,000
45	200,000+

PROPOSED TAXABLE INCOME TABLE FROM 1 JULY 2022

Tax thresholds from 1 July 2022 (\$)	Taxable income
0 - 18,200	Nil
18,201 - 45,000	Nil + 19% of each dollar over \$18,200
45,001 - 120,000	\$5,092 + 32.5% of each dollar over \$45,000
120,001 - 180,000	\$29,467 + 37% of each dollar over \$120,000
180,000+	\$51,667 + 45% of each dollar over \$180,000
LITO	Up to \$700

Changes include:

- ▶ Increase top threshold of the 19% tax bracket from \$37,000 to \$41,000
- ▶ Increase top threshold of the 32.5% tax bracket from \$90,000 to \$120,000

PROPOSED TAXABLE INCOME TABLE FROM 1 JULY 2024

Tax thresholds from 1 July 2024 (\$)	Taxable income
0 - 18,200	Nil
18,201 - 45,000	Nil + 19% of each dollar over \$18,200
45,001 - 200,000	\$5,092 + 30% of each dollar over \$45,000
200,000+	\$51,591 + 45% of each dollar over \$200,000

Simpler system over the medium-term. Abolishing the 37 percent tax bracket and maintaining the highest marginal tax rate at a similar multiple of average earnings

Changes include:

- ▶ Reduce tax rate from 32.5% to 30%
- ▶ Increase top threshold of the 30% tax bracket from \$120,000 to \$200,000
- ▶ Removal of the 37% tax bracket

Tax

INSTANT ASSET TAX WRITE-OFF

The Government will increase the instant asset tax write-off from \$25,000 to \$30,000 and making this available for medium sized businesses (those with an aggregated annual turnover of between \$10 million and \$50 million) as well as small businesses.

The increased threshold and eligibility apply from the release of the budget at 7:30pm on 2 April 2019. The write-off will operate until 30 June 2020.

Small businesses will also continue to have access to the simplified depreciation rules.

TAX INTEGRITY – INCREASING ENGAGEMENT AND ON-TIME PAYMENT OF TAX AND SUPERANNUATION LIABILITIES

The Government will provide \$42.1 million over four 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 to ensure on-time payment of their tax and superannuation liabilities. The measure will not extend to small businesses.

Superannuation

IMPROVING FLEXIBILITY FOR OLDER AUSTRALIANS

The Government will allow voluntary superannuation contributions (both concessional and non-concessional) to be made by those aged 65 and 66 without meeting the work test from 1 July 2020.

People aged 65 and 66 will also be able to make up to three years of non-concessional contributions under the bring forward rule.

Those up to and including age 74 will be able to receive spouse contributions, with those 65 and 66 no longer needing to meet the work test.

PROTECTING YOUR SUPER PACKAGE - AMENDMENT

The Government has also agreed to amendments to the Protecting Your Super Package to:

- ▶ extend to 16 months the period after which an account that has not received any contribution is considered inactive;
- ▶ expand the definition of when an account is considered active for the ATO-led consolidation regime; and
- ▶ require the ATO to consolidate to an active account, where possible, within 28 days of receipt.

PROTECTING YOUR SUPER PACKAGE – PUTTING MEMBERS' INTERESTS FIRST

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

These changes (currently before Parliament) will protect the retirement savings of young people and those with low balances by ensuring their superannuation is not unnecessarily eroded by premiums on insurance policies they do not need or are not aware of. The changes will also reduce the incidence of duplicated cover so that individuals are not paying for multiple insurance policies, which they may not be able to claim on. These changes will not prevent anyone who wants insurance from being able to obtain it — low balance and young members will still be able to opt-in to insurance cover within superannuation.

PERMANENT TAX RELIEF FOR MERGING SUPERANNUATION FUNDS

The Government will make permanent the current tax relief for merging superannuation funds that is due to expire on 1 July 2020. The current tax relief allows the transfer of revenue and capital losses to a new merged fund, and to defer taxation consequences on gains and losses from revenue and capital assets.

REDUCING RED TAPE FOR SUPERANNUATION FUNDS

The Government will reduce costs and simplify reporting for superannuation funds by streamlining some administrative requirements for the calculation of exempt current pension income (ECPI).

SUPERSTREAM ROLLOVER STANDARD

The Government will provide \$19.3 million over three years from 2020-21 (including \$12.6 million in capital funding in 2020-21) to the ATO to send electronic requests to superannuation funds for the release of money required under a number of superannuation arrangements.

This change, which will take effect from 31 March 2021, will be implemented by expanding the electronic SuperStream Rollover Standard used for the transfer of information and money between employers, superannuation funds and the ATO.

The start date of Self-Managed Superannuation Funds rollovers in SuperStream will be delayed until 31 March 2021 to coincide with the expansion of the SuperStream Rollover Standard.

SUPERANNUATION CONSUMER ADVOCATE

The Government will provide \$0.1 million in 2019-20 to undertake an expression of interest process to identify options to support the establishment of a Superannuation Consumer Advocate. The Advocate would provide input on behalf of consumers in policy discussions and provide information to educate and assist consumers navigate the superannuation system.

Social Security

ENERGY ASSISTANCE PAYMENT

The Government will provide a one-off payment of \$75 for singles and \$62.50 for each member of an eligible couple (\$125/couple) who receive a qualifying payment on 2 April 2019 to provide relief from high energy costs. Qualifying payments include the Age Pension, Carer Payment, Disability Support Pension, Parenting Payment Single, and Veterans' pensions and payments.

CHANGING THE SOCIAL SECURITY INCOME ASSESSMENT MODEL

The Government will achieve savings of \$2.1 billion by simplifying and automating the reporting of employment income for social security purposes through Single Touch Payroll (STP). This measure will greatly reduce the likelihood of income support recipients receiving an overpayment. Income data received through STP will be shared with the Department of Human Services.

The efficiencies from this measure will be derived through more accurate reporting of incomes. This measure will not change eligibility criteria or maximum payment rates.

EXTENDING FAMILY TAX BENEFIT TO ABSTUDY RECIPIENTS AGED 16 AND OVER WHO STUDY AWAY FROM HOME

The Government will provide \$36.4 million over five years from 2018-19 to extend Family Tax Benefit eligibility to the families of ABSTUDY (secondary) student recipients who are aged 16 years and over, and are required to live away from home to attend school. This will improve access to secondary education for Indigenous Australians and help reduce the gap in outcomes between Indigenous and non-Indigenous Australians in high school completion.

Aged Care

ACCESS TO AGED CARE

The Government will provide \$320.0 million for a one-off increase to the basic subsidy for residential aged care recipients. \$35.7 million will be provided to increase to the dementia and the veterans' home care supplements to support home care recipients who require additional care to stay in their homes longer.

The Government will provide \$4.6 million to trial a residential care needs assessment funding tool as an alternative to the existing Aged Care Funding Instrument

\$7.1 million will be provided over two years to improve payment administration arrangements for home care packages to align home care arrangements with other Government programs, such as the National Disability Insurance Scheme.

HOME CARE PACKAGES

The Government's Home Care Packages Program supports Australians who choose to receive care in their own homes. The Government is providing \$282.4 million over five years from 2018-19 for an additional 10,000 home care packages across all levels.

Australians with dementia or requiring cognition support will benefit from additional funding for home care supplements, and the Government is providing \$7.7 million to develop an end-to-end compliance framework for home care.

COMMONWEALTH HOME SUPPORT PROGRAMME

The Government will provide \$5.9 billion over two years from 2020-21 to extend the Commonwealth Home Support Programme (CHSP) funding arrangements. The CHSP contributes to essential home support services, such as meals (Meals on Wheels), personal care, nursing, domestic assistance, home maintenance, and community transport, to assist older people to keep living independently in their own home.

ELDER ABUSE

The Government has announced a National Plan to Respond to the Abuse of Older Australians. The Plan includes \$18 million to create a new National Hotline (1800 ELDERHelp or 1800 353 374) and conduct trials of frontline services for victims of abuse. The Government is also contributing \$1.5 million towards developing a Serious Incident Response Scheme.

The Government is establishing the independent Aged Care Quality and Safety Commission from 1 January 2019.

RESIDENTIAL CARE SAFETY AND QUALITY

An additional 13,500 residential care places will be available, combined with a \$60 million investment in infrastructure.

The Government is providing a \$320 million general subsidy for residential aged care and \$8.4 million will be provided to introduce mandatory reporting against several national residential care quality indicators.

Regulators

ROYAL COMMISSION INTO MISCONDUCT IN THE BANKING, SUPERANNUATION AND FINANCIAL SERVICES INDUSTRY

The Government will provide \$606.7 million to relevant government departments and agencies to support the response to the Royal Commission recommendations. Part of this funding is recovered from ASIC's industry funding model.

Funding includes:

- ▶ \$404.8 million to ASIC to expand its capability and implement its new enforcement strategy
- ▶ \$145 million to strengthen APRA's supervisory and enforcement activities
- ▶ \$7.7 million to establish an independent financial regulator oversight authority
- ▶ \$1 million for APRA's capability review
- ▶ \$11.2 million to fund Treasury's Royal Commission Implementation Taskforce
- ▶ \$2.6 million towards designing and implementing a compensation scheme of last resort
- ▶ \$2.8 million to AFCA to extend its jurisdiction to historical claims to 1 January 2008
- ▶ \$30.7 million to pay compensation owed to consumers and small businesses from legacy unpaid EDR determinations.

AUSTRALIAN TAXATION OFFICE

The Government will provide \$1.0 billion to the ATO to extend the operation of the Tax Avoidance Taskforce to crack down on large corporations, multinationals and high wealth individuals. This measure will allow the Taskforce to expand these activities, including increasing its scrutiny of specialist tax advisors and intermediaries that promote tax avoidance schemes and strategies.

FEDERAL COURT

The Government will provide \$43.9 million to fund additional judges for the Federal Court of Australia. This additional resourcing will allow for the expansion of federal court responsibilities for corporate crime, which was recommended by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.



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