

## Article Information

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Service: Taxation

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## Federal Budget 2019: Key Tax Measures

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The 2019-20 Federal Budget delivers a budget surplus together with a raft of tax concessions aimed mostly at low to middle income earners. The tax concessions are achieved principally by way of changes to the low and middle income tax offset, varying tax brackets and increasing the Medicare low income thresholds.

Also of interest from a tax perspective in the budget was a commitment to \$1.0 billion of ATO funding in relation to the Tax Avoidance Taskforce, and a deferral of the start date of proposed Division 7A changes from 1 July 2019 to 1 July 2020.

Below is a summary of the key taxation budget measures.

### Tax cuts for low and middle income earners

The Government will lower taxes for low and middle-income earners through making changes to its legislated Personal Income Tax Plan, as follows:

1. The reduction in tax provided by the low and middle income tax offset will increase from \$530 to \$1,080 per annum and the base amount will increase from \$200 to \$255 per annum for the 2018-19 to 2021-22 years.
2. From 1 July 2022 the Government will increase the top threshold of the 19% personal income tax bracket from \$41,000 to \$45,000, and also increase to the low income tax offset from \$645 to \$700.
3. From 1 July 2024-25, the Government will reduce the 32.5% marginal tax rate to 30%.

### Medicare

The Medicare levy low-income thresholds will be increased for singles, families and pensioners from the 2018-19 income year. The threshold for singles will be increased from \$21,980 to \$22,398. For families the threshold will increase from \$37,089 to \$37,794. For single seniors and pensioners the threshold will be increased from \$34,758 to \$35,418. For each dependent child or student the family income thresholds increase by a further \$3,471 instead of the previous \$3,406.

### Changes to instant asset write-off

The instant asset write-off threshold will increase from \$25,000 to \$30,000. The threshold applies on a per asset basis, so eligible businesses can instantly write off multiple assets. Medium sized businesses will also have access to the write-off. Small businesses (with aggregated 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 to 30 June 2020. The same rule applies for medium businesses (with aggregated turnover of \$10 million but less than \$50 million), however medium businesses must acquire these assets after budget night to be eligible.

### Division 7A changes

The Government 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 deferral will allow the Government further time to consult with stakeholders and to refine the Government's implementation approach.

### Superannuation

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. Other superannuation changes include making permanent the current tax relief for merging superannuation funds and reducing red tape for superannuation funds by streamlining some administrative requirements for the calculation of exempt current pension income.

### **Tax anti-avoidance measures**

The Government will provide \$1.0 billion over four 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 Government is also continuing to close in on the black economy, with new measures including that from 1 July 2021, ABN holders with an income tax return obligation must lodge returns. From 1 July 2022 those taxpayers will also need to confirm the accuracy of their details on the ABN register.

### **ATO disputes**

The Government will provide \$57.5M over five years to the Department of Jobs and Small Business, the AAT and the ATO to provide access to a fast, low cost, independent review mechanism for small businesses in dispute with the ATO. The measure came into effect from 1 March 2019.

Piper Alderman will release a further analysis of the Government's budget measures following the forthcoming Federal election.