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TAX MATTERS

Budget Edition 2019



Rewarding working Australians

The 2019 Federal Budget focuses on rewarding working Australians, with the emphasis on a two-pronged approach for “hard-working” individuals.

Individual taxes:

From the 2018-2019 income year, the low and middle-income tax offset (LMITO) has been increased by \$550. This now means individuals can have their tax reduced by up to \$1,080 and dual income families up to \$2,160 after lodging tax returns for the 2018-19 year.

In 2024-25, the 32.5% tax rate will be reduced to 30%, creating only three tax brackets for Australians. It is projected that by 2024-25, 94% of taxpayers will face a marginal rate of 30% or less. With this new plan, the 19% rate threshold (24% of taxpayers) will be increased from \$41,000 to \$45,000, the 30% rate (70% of taxpayers) will be \$45,001 to \$200,000 and the 45% rate (6% of taxpayers) will be over \$200,000.

Expanded super for older Australians:

Older Australians will benefit from the work test exemption age being extended from age 64 to 66. The work test requires an individual to work at least 40 hours in any 30 day period in the financial year in order to make voluntary personal contributions.

This change in age will now allow individuals aged 65 and 66, who previously didn't meet the work test, to contribute three years of after-tax contributions in a single year, meaning up to \$300,000 can be injected into an account with less than \$1.6 million in super (tax-free pension threshold). This adjustment aligns with the increase for the Age Pension from 65 to 67.

Spousal contributions can now be made until age 74, up from age 65, without having to meet the work test. Under spousal contribution regulations, an individual can claim an 18% tax offset of contributions up to \$3,000 made on behalf of a non-working partner. A further \$3,000 can be contributed but with no tax offset.



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Supporting the vulnerable

While the Budget has placed a strong focus on business and growth of the economy, the Government is also making sure to address the needs of those in the community who have faced hardships and fallen behind in recent years.

Farmers and farming communities affected by natural disasters and older Australians are among those being benefited.

Supporting the farming business

The Budget has put in place the mechanism to ensure that no single group will shoulder the burden of drought that is currently affecting farmers across much of Australia. There will be funding provided in drought assistance and concessional loans for farmers and farming communities, helping them to get through tough times and increasing access to income support through the Farm Household Allowance.

Supporting farmers in floods

The recent floods devastating the Queensland farming community have created a need for the Government to assist the industry in restoring their vital contribution to the national economy and local communities. Flood-affected farmers will have access to up to \$300 million in grants to help rebuild damaged farm infrastructure, replace livestock and replant crops.

Along with the support provided to the farmers currently experiencing hardship, the Government will prepare for and mitigate the impact of future natural disasters by investing significant funding in new weather radars, the Future Drought Fund, and the creation of a new Emergency Response Fund.

Supporting older Australians:

Funding to the aged-care sector in 2019-20 has increased by more than 50% since 2013-14, and will allow older Australians to access more choices in better-quality and safer aged-care. For older Australians who wish to stay at home for longer, support will be provided through an additional 10,000 home care packages at all levels.



A business growth based Budget

The 2019 Federal Budget focuses on building a better tax system for Australian businesses in order to create a stronger economy.

Instant asset write-off:

The Budget announcement that the instant asset write-off threshold be increased from \$25,000 to \$30,000* and be extended to businesses with less than \$50 million turnover. The amendments mean that there will be three tiers for taxpayers to consider for claiming immediate asset write off in 2018/2019 year. The changes to the instant asset write-off thresholds are listed in the table below.

Instant asset write-off threshold		
Asset first used or installed ready for use between:	Small business (turnover less than \$10m)	Medium business (turnover less than \$50m)
1 July 2018 to 28 January 2019	<\$20,000	n/a
29 January to Budget night	<\$25,000	n/a
Budget night to 30 June 2020	<\$30,000	<\$30,000

*\$30,000 exclusive of GST for GST registered businesses. \$30,000 inclusive of GST for businesses not registered for GST.

The threshold will apply on a “per asset” basis, meaning that eligible businesses can instantly write off multiple assets. The new rules will apply from 2 April 2019 and are set to remain in place until 30 June 2020.



For assets costing \$30,000 or more

For small businesses (turnover less than \$10m) assets costing over \$30,000 or more can be allocated to general pool and depreciated at a rate of 15% in the first year and 30% for each year thereafter. If closing balance of the pool after adding back current year depreciation is less than \$30,000 at end of income year, then the remaining pool balance can be written off as well. Medium sized business up to \$50m turnover do not have access to small business pooling for assets costing over \$30,000.

Integrity of the tax system:

Maintaining the integrity of the tax system remains a key part of this budget. The Budget provides resources to help monitor high-risk industries dealing in the “black economy” and ensure that all businesses meet their payment obligations with respect to tax and superannuation.

The Government has announced further resources will be provided to improve their ability to recover unpaid taxes and superannuation.

ATO statistical analysis:

From 2018-19, the Government will provide funding over two years to increase the ATO’s analytical capabilities. This will include migrating the ATO to a new data centre facility and demonstrating a commitment to improving information the Tax Office relies on to better detect unusual taxpayer behaviour.

Amendments to Division 7A:

The Government announced that it will defer the start date of the proposed changes to Division 7A rules by a year, from 1 July 2019 to 1 July 2020. The rule requires benefits provided by private companies to related taxpayers be taxed as dividends unless they are structured as complying loans or subject to other exemptions. The proposed amendments include simplifying Div 7A loan rules to make it easier for taxpayers to comply.

Requirements for Australian Business Number holders to retain their status:

To disrupt black economy behaviour, Australian Business Number (ABN) holders:

- with an income tax return obligation will be required to lodge their income tax return, from 1 July 2021, and
- will be required to confirm the accuracy of their details on the Australian Business Register annually, from 1 July 2022.

Currently, ABN holders are able to retain their ABN regardless of whether they are meeting their income tax return lodgement obligation or the obligation to update their ABN details.

Job skills to better tomorrow

The vocational education and training (VET) sector is receiving an investment of \$525 million over a five year period to equip workers with the skills they need.

The Additional Identified Skills Shortage Payment has been created to support up to 80,000 new apprentices over the next five years. Apprentices will be eligible for \$2,000 incentive payment, receiving \$1,000 after 12 months and \$1,000 at the completion of the apprenticeship. Employers will also receive a total payment of \$4,000, receiving \$2,000 after 12 months and \$2,000 at completion. This is in addition to the existing standard employer incentives for apprenticeships of \$1,500 at commencement and \$2,500 at completion.

Eligible occupations include carpenters, joiners, plumbers, air-conditioning/refrigeration mechanics, bricklayers/stonemasons, plasterers, vehicle painters, tilers, arborists, hairdressers, bakers and pastry cooks. Eligible occupations will be reviewed annually to ensure current and expected skills shortages are captured.

The introduction of a new foundational language, literacy, numeracy and digital skills program will help to better individuals skills that are needed in education and employment. Eligibility criteria applies, and participants must:

- Be between 15 and 44 years of age as well as being an Australian citizen or permanent resident.
- Have left secondary school education.
- Be employed or recently unemployed and not registered for an employment services program.

Investments will be made over a four year period to Skill Organisations in areas of human services care and digital technologies. These organisations around the country will trial

new ways to update and develop VET qualifications to help meet the growing need for skilled workers. Over four years, the Government will establish a National Careers Institute (NCI). The NCI will be driving research into future skills and the national labour market, including arising technological areas such as automation and artificial intelligence. The NCI also aims to help in raising the profile of the VET sector while providing individuals with access to education and career information in one web portal.



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