

2019–20 Federal Budget – client briefing

3 April 2019

Federal Treasurer Josh Frydenberg has handed down the Morrison Government's first Federal Budget. Among the proposed changes were personal income tax cuts and changes to super rules.

Here's a round-up of the proposals put forward and a look at how they might affect your household expenses and financial future, whatever your stage of life.

Remember, at the moment these are just proposals and could change as legislation passes through parliament.

Taxation – General

1. Personal income tax cuts

Proposed effective date: 1 July 2018 and progressive

The government is proposing to expand the personal income tax cuts that have been legislated from the 2018–19 Budget. These tax cuts will particularly benefit low-to-middle income earners.

The indicative tax cuts in 2018–19, compared to 2017–18, are as follows.

Reduction in tax paid – individuals	
Taxable income	Tax reduction
\$30,000	\$255
\$50,000	\$1,080
\$80,000	\$1,080
\$90,000	\$1,215
\$120,000	\$315
\$130,000	\$135

These cuts will be achieved through a combination of changes to tax offsets, adjustments to personal income tax brackets and marginal rates.

Changing tax thresholds and marginal tax rates

- From 1 July 2022, the top threshold for the 19% marginal tax bracket is proposed to increase to \$45,000.
- From 1 July 2024, the government proposes to reduce the current 32.5% marginal tax rate to 30%.

Increasing the Low and Middle Income Tax Offset (LMITO)

- For the 2018–19 to 2021–22 tax years, the LMITO will increase to provide tax relief of up to \$1,080 per year to low and middle income earning Australians.

Increasing the Low Income Tax Offset (LITO)

- From 1 July 2022, the LITO is proposed to increase to \$700.

New proposed personal tax rates and thresholds

Marginal tax rate (%)	Thresholds – income range from 1 July 2018 (\$)	Thresholds – income range from 1 July 2022 (\$)	Thresholds – MTR (%) and income range from 1 July 2024 (\$)	
0	0 – 18,200	0 – 18,200	0%	0 – 18,200
19	18,201 – 37,000	18,201 – 45,000	19%	18,201 – 45,000
32.5	37,001 – 90,000	45,001 – 120,000	30%	45,001 – 200,000
37	90,001 – 180,000	120,001 – 180,000	–	–
45	> 180,000	> 180,000	45%	> 200,000
LMITO	Up to 1,080	–	–	–
LITO	Up to 445	Up to 700	Up to 700	–

Effective tax-free threshold 2018–19

LITO and LMITO
(Individuals below Age Pension age) **\$21,884**

2. Medicare levy changes

Proposed effective date: 1 July 2018

While the Medicare levy remains unchanged at 2% of taxable income, the thresholds for low-income singles, families, and seniors and pensioners will increase in the 2018–19 income year.

The threshold for singles will increase to \$22,398. The family threshold will increase to \$37,794 plus \$3,471 for each dependent child or student.

For single seniors and pensioners, the threshold will increase to \$35,418. The family threshold for seniors and pensioners will increase to \$49,304 plus \$3,471 for each dependent child or student.

Taxation – Small business

1. Increasing and expanding SME access to the instant asset write off

Proposed effective date: 7.30pm (AEDT) on 2 April 2019

The instant asset write-off threshold is increasing from \$25,000 to \$30,000. The threshold applies on a per asset basis, so eligible businesses can instantly write off multiple assets.

Small businesses (aggregated annual 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.

Medium sized businesses (aggregated annual turnover of \$10 million or more but less than \$50 million) will also 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.

However, medium sized businesses must also acquire these assets after Budget night to be eligible.

Super

The government has proposed a number of measures to make it easier for Australians aged between 65 and 67 to top up their super.

1. Super contribution work test to apply from age 67

Proposed effective date: 1 July 2020

Currently, people aged 65 to 74 must be in paid work for a minimum of 40 hours in any consecutive 30-day period in the financial year to make voluntary super contributions.

From 1 July 2020, this 'work test' will only be necessary where contributions are made by people aged 67 to 74.

This proposed change means that people aged 65 or 66 who don't meet the work test because they, for example, only work one day a week, or do volunteer work, will be allowed to make voluntary concessional and non-concessional contributions to their super.

What you need to know

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2. Age limit for 'bringing forward' non-concessional contributions increasing to 67

Proposed effective date: 1 July 2020

The government is proposing to extend the 'bring-forward' rules which allow Australians aged less than 65 at the start of the financial year to make up to three years' worth of non-concessional contributions to their super in a single financial year.

From 1 July 2020, the bring-forward rules will be extended so they also apply to people aged 65 and 66 at the start of the financial year.

3. Age limit for spouse super contributions increasing to 74

Proposed effective date: 1 July 2020

Currently, Australians aged 70 years and over cannot receive contributions made by their spouse on their behalf. The government is proposing to increase the age limit for spouse super contributions from 69 to 74 years from 1 July 2020.

Spouse super contributions are counted towards the receiving spouse's non-concessional contribution cap. It is expected that the receiving spouse will need to continue to meet the work test from the work test age (please see above).

Social security and aged care

1. Help with paying energy bills for Australians on income support

Proposed effective date: End of current financial year – subject to the passage of legislation

Individuals in receipt of a qualifying income support payment will receive a one-off Energy Assistance Payment of \$75 for singles and \$125 for couples (combined) to assist with energy bills.

Qualifying payments include the Age Pension, Disability Support Pension, Parenting Payment Single, Veterans' Service Pension, Veterans' Income Support Supplement, Veterans' disability payments, War Widow Pension, and permanent impairment payments under the Military Rehabilitation and Compensation Act 2004.

2. Aged care

Proposed effective date: From 2018/2019 financial year

The government has allocated \$320 million for a one-off increase to the basic care subsidy for aged care residents.

Also, 10,000 extra home care packages will be released over the next five years.