BUDGET 2019 TAX HIGHLIGHTS

The Federal Budget was delivered on 2 April 2019 and this newsletter highlights key announcements made that impact directly on your business and on you personally.

The Treasurer announced the Budget will have a surplus of $7.1 billion for 2019-20.

Write-off amount now increased to $30,000

We previously advised that when legislation is passed, businesses with a turnover of under $10 million will be able to claim an immediate deduction for depreciating assets that cost less than $25,000 (increased from $20,000) that are first used or installed ready for use on or after 29 January 2019.

This figure is now increased to $30,000 for assets first used, or installed ready for use, from Budget night, ie from 7.30pm (AEDT) on 2 April 2019, to 30 June 2020.

As well, the $30,000 write-off will also be available to medium size businesses (ie, those with aggregated annual turnover of $10 million or more, but less than $50 million) for those assets first used, or installed ready for use, from Budget night (ie 2 April 2019) to 30 June 2020.

Proposed Division 7A changes deferred

Division 7A of the Income Tax Assessment Act is the Division that provides that loans or payments by private companies to their shareholders and their associates are deemed to be assessable dividends in the hands of the shareholder or associate unless an exemption applies.

The Government had proposed changes that would seriously impact on repayment of loans and review periods. They were intended to commence 1 July 2019.

The Government has now announced it will defer the start date of the proposed amendments to Division 7A by 12 months from 1 July 2019 to **1 July 2020**.

Increase in low and middle income tax offset

The Government is providing a further reduction in tax payable via an increase in the low and middle income tax offset (LMITO).

The LMITO will now provide a reduction in tax of up to $255 (previously $200) for taxpayers with a taxable income of $37,000 or less.

Between taxable incomes of $37,000 and $48,000, the value of the offset will increase at a rate of 7.5 cents per dollar to the maximum offset of $1,080 (previously $530).

Taxpayers with taxable incomes between $48,000 and $90,000 will be eligible for the maximum offset of $1,080 (previously $530).

From taxable incomes of $90,000 to $126,000 the offset will phase out at a rate of 3 cents per dollar.

The LMITO will be received on assessment after individuals lodge their tax returns for the 2018-19, 2019-20, 2020-21 and 2021-22 income years. This will ensure that a benefit is received when returns are lodged from 1 July 2019.

Personal tax cuts

From 1 July 2022, the Government proposes to increase the top threshold of the 19% personal income tax bracket from $41,000 to $45,000.

Other changes are proposed so that from 2024-25, there will only be 3 personal income tax rates – 19%, 30% and 45% with the top rate kicking in at $200,000**.**

Superannuation contributions work test exemption extended

From 1 July 2020, individuals aged 65 and 66 will be able to make voluntary superannuation contributions (both concessional and non-concessional) without needing to meet the contributions work test.

Currently, individuals aged 65-74 must work at least 40 hours in any 30-day period in the financial year in which the contributions are made (the "work test") in order to make voluntary personal contributions.

The proposed extension of the work test exemption means that individuals aged 65 or 66 who don't meet the work test, because they may only work one day a week or volunteer, will be able to make voluntary contributions to superannuation, giving them greater flexibility as they near retirement.

Those aged 65 and 66 will also have access to the bring forward arrangements for non-concessional contributions. The bring forward rules currently allow individuals aged less than 65 years to make 3 years' worth of non-concessional contributions (which are generally capped at $100,000 a year) in a single year. This will be extended to those aged 65 and 66.

Men and Women’s Sheds

The Government will establish a deductible gift recipient (DGR) general category to enable Men's Sheds and Women's Sheds to access DGR status from 1 July 2020.

Concessional treatment for income from forced disposal of livestock

The Government will provide $3.1 million over two years from 2018-19 to exempt net income generated from the forced sale of livestock from Farm Household

Allowance (FHA) payment assessment, when that income is invested into a Farm Management Deposit.

This measure will ensure that FHA recipients who are destocking retain access to income support and are able to make long-term financial plans for their future.

If you have any questions about how the budget impact you or your business, please get in contact with us on 07 5532 4555 or questions@lutzassoc.com.au