

# Fast Facts 2019/20 Budget Individuals



The Treasurer has announced the return to budget surplus without the need to increase taxes, yet the more significant tax cuts announced will not take effect until 2025.

Whilst there was an increase to the low and middle income tax offset (LMITO), the most significant individual tax rate cuts will be introduced in 2023 with further cuts in 2025.

The Treasurer also announced an additional \$1bn in funding to the ATO to increase its compliance focus on multinationals, large public and private groups, trusts and high wealth individuals.

There were no changes announced to dividend imputation, capital gains tax, family trust arrangements, negative gearing or GST.

The Government has again deferred the start date of the Division 7A integrity measures to 1 July 2020. The potential impact of the proposed Division 7A reforms cannot be understated. The proposed changes, which were the subject of major industry consultation in 2018, caused significant concern for many private businesses for a number of complex reasons.

The deferral is to allow for further consideration of the Government's implementation approach. The Government's decision to push back the start date to more closely consider the specifics of the law change is welcomed with relief.

## Most important take outs

### Superannuation changes

- Individuals approaching retirement can receive spouse contributions up to and including age 74, allowing individuals to increase their retirement savings
- Relief from the 'work test' for persons aged 65 and 66 who can make voluntary superannuation contributions (concessional and non-concessional).

### Business taxpayer changes

- The instant asset write-off threshold has been increased to \$30,000 for eligible assets purchased between now and 30 June 2020. Access to this concession has also been expanded from businesses with a \$10m turnover to a \$50m turnover. This measure ends in less than 15 months time, so ensure you claim what you can.
- Division 7A integrity rule – deferral to introduction of any change until at least 1 July 2020
- Additional funding to the ATO to assist in:
  - Recovery of unpaid tax and superannuation liabilities
  - Focusing on larger businesses and high wealth individuals (not extending to small businesses)
- Increased funding for the Export Market Developments Grants Scheme (EMDGS)
- Funding to be provided to the Administrative Appeals Tribunal (AAT) and ATO to provide fast, low cost, independent review mechanism for small businesses in dispute with the ATO.

## Most important take outs

### Changes for Individual taxpayers

- The non-refundable low and middle income tax offsets will increase for 2019
- Reiteration of personal income tax plan that provides a small tax break for low and medium income earners. However, there is no tax benefit to high income earners in the short term. The details of the tax rate changes are summarised in the table on the following page.

### Other measures for Individual taxpayers

- The Medicare Levy will remain at 2%
- The Medicare Levy for low income thresholds increased for singles, families, seniors and pensioners
- Government to provide more funding to the ATO to deliver increased audit compliance activities for high wealth individuals to ensure that outstanding tax debts are paid on time.

	Date of effect	Measure	Tax benefit
<b>Step 1</b>			
Low and Middle Income Tax Offset (LMITO)	1 July 2018 – 30 June 2022	Income < \$37,000	\$255
		Income \$37,000 to \$90,000	Increases up to \$1,080
		Income \$90,000 to \$126,000	Phased out at 3 cents per dollar
<b>Step 2</b>			
Increase marginal tax rates	From 1 July 2022	Increase tax income threshold rate of 19% from \$41,000 to \$45,000	\$540
<b>Step 3</b>			
Increase marginal tax rate	From 1 July 2024	Income tax rate of 30% will apply for income between \$45,000 to \$200,000	\$3,875

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