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The Bottom Line



Special Budget Edition 2019-20

A Budget 'that gives back to the people' to win the Election – but does it? The answer in May...

On Tuesday 2 April, the Federal Treasurer, Josh Frydenberg, delivered his first Federal Budget and this Government's last before the May election.

With a Federal election just weeks away, this year's Budget focused on supporting low and middle-income households and infrastructure investment, boosting consumer confidence and spending, and kickstarting the Australian economy.

An optimistic Budget

The Government projected an annual surplus of \$7.1bn for 2019-20 – the first in 12 years and surpluses of \$45bn over the next 4 years.

There has been a lot of speculation into the Budget forecast. Why is there a surplus when everything seems to be slowing down? The answer may simply be that the nation is receiving more for the sale of iron ore and coking coal, collecting more in tax mainly through taxpayers moving into higher tax brackets and benefitting from the results of positive ATO monitoring and investigations.

Big picture overview

The big picture highlights of this year's Budget:

- **Surplus:** Budget surplus of \$7.1bn in 2019-20 – the first in 12 years
- **Debt:** Government debt to be cleared within 10 years
- **Economic growth:** Annual economic growth of 2.75% projected for 2019-20
- **Cap on tax to GDP:** Personal tax collected in any one year to be capped at 23.9% of GDP
- **Total tax receipts:** Total tax receipts (excluding GST) is expected to increase to \$399.2bn in 2019-20 – a 4.2% increase over the previous year.
- **Reduction in personal tax:** An almost immediate reduction in personal tax to those on low and medium incomes with the filing of the 2018-19 tax return
- **One-off energy payments:** This June, an immediate one-off cash payment to pensioners and those receiving support payments to assist in the payment of power accounts

The big question is: what will be the impact of the Federal election? The Opposition have stated that they will support tax cuts that are responsible and if they win, they will present a second Budget in August or September.

Other announcements

- **Health:** \$496m on cancer treatment; \$220m on medical research; \$200m to reduce out of pocket costs for scans; \$32m for breast cancer subsidised MRIs; \$20m for epilepsy support services
- **Education:** \$3.4m to encourage women into science, maths and tech careers
- **Children:** \$22.5m to create a National Centre for the Prevention of Child Sexual Abuse
- **Social security:** More in-home care places; \$78m housing for women and children fleeing family violence; \$285m before 1 July as an up-front cash payment to assist in the payment of power bills
- **Sports:** \$190m to upgrade female toilet blocks at sport grounds
- **Infrastructure:** \$5bn for building rail link to Melbourne airport; \$2.2bn to fix traffic black spots, potholes and bridges; \$253m upgrades to Sydney roads; \$40m for 5 new business cases for high-speed railway; \$500m for upgrade to Princes Highway; \$200m to form a 3rd crossing over the Hawkesbury River

- **Security:** \$570m more for counter-terrorism and anti-espionage operations; \$294m to upgrade security at airports
- **Online:** \$25m for privacy watchdog to investigate dodgy tech companies
- **Superannuation:** \$70m removing the work test for those aged 65 and 66 allowing them to make voluntary contributions to superannuation schemes; increase age for spousal contributions from 69 to 74, currently people over 70 cannot receive third party contributions
- **Research and development incentive:** Cut back by \$1.35bn
- **Queensland floods and storms grants:** Tax exemptions for qualifying grants made to primary producers, small businesses and non-profits affected by the North Queensland floods (those of 29 January 2019) and to the primary producers in the Fassifern Valley for storm damage (October 2018).



How does the Budget impact individuals?

Here are some of the measures that have come out of the Budget and how they impact individuals.

Low and middle-income earners – tax cuts

- Bringing forward personal income tax cuts that have already been legislated for. Such cuts are a substitute for wage increases. The tax reduction increases the available cash in the hand of the household.

- This tax cut is a deduction against tax payable reducing the tax that is payable. It is available only to those that have taxable income and file tax returns and will not be refundable.
- With the filing of the 2018-19 tax return, single income families earning up to \$126,000 will receive an immediate tax reduction of \$1,080. For dual income families, this reduction will be \$2,080. These cuts immediately increase available cash to the household. Over 4.5m personal taxpayers will enjoy the full benefit and another 5.5m will enjoy a progressively lower benefit.
- From 1 July 2024, for those earning between \$45,000 – \$200,000, the tax rate of 32.5% is reduced to 30%. This will mean that from that date, 94% of personal taxpayers will be on a tax rate of no more than 30%.
- From 2023-24 there will be four tax rates for all personal taxpayers:

Taxable income	Tax rate
Up to \$18,200	Nil
\$18,201 - \$45,000	19%
\$45,001 - \$200,000	30%
\$200,001 +	45%

- By 2024-25, 60% of all personal income tax will be paid by the top 20% of taxpayers.

Tables:

The effect of these changes are shown in the tables below taken from the Budget papers.

Table A: Tax break

Dual income couple, equal income split (\$)

Taxable income Spouse1	Taxable income Spouse2	Household taxable income	Current tax liability	2018-19 tax relief	2022-23 tax relief	2024-25 tax relief
30,000	30,000	60,000	4,794	510	510	510
60,000	60,000	120,000	24,294	2,160	2,160	2,910
90,000	90,000	180,000	45,464	2,430	2,430	4,680
120,000	120,000	240,000	68,864	630	5,130	8,880
200,000	200,000	400,000	134,464	270	5,130	23,280

Single person household (\$)

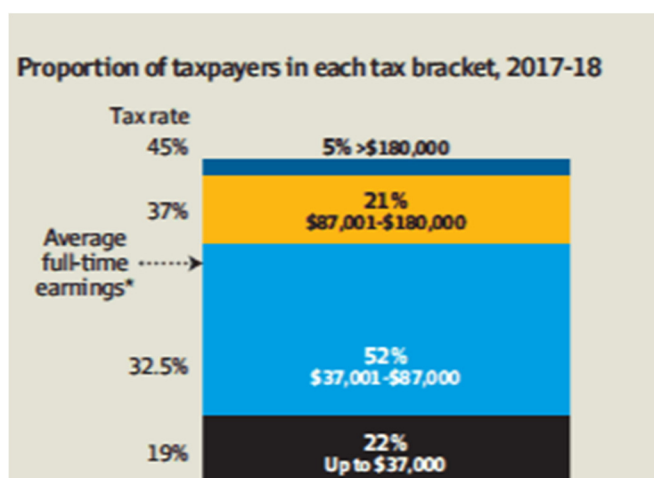
Taxable income	Current tax liability	2018-19 tax relief	2022-23 tax relief	2024-25 tax relief
30,000	2,397	255	255	255
60,000	12,147	1,080	1,080	1,455
90,000	22,732	1,215	1,215	2,340
120,000	34,432	315	2,565	4,440
200,000	67,232	135	2,565	11,640

Table B: Tax rates from 2024/2025

Income tax rates by income range (\$)

Rate	Current	From 2024-25	New thresholds in 2024-25
Tax free	0 - 18,200	Tax free	Up to \$18,200
19.0%	18,201 – 37,000	19.0%	18,201 – 45,000
32.5%	37,001 – 87,000	30.0%	45,001 – 200,000
37.0%	87,001 – 180,000	-	-
45.0%	> 180,000	45.0%	> 200,000
Income tax offsets (\$per year, per person)			
Low income	Up to 445		Up to 70

Table C: Proportion of taxpayers in each tax bracket, 2017-18



Source: Australian Financial Review, 3 April 2019

Energy Assistance Payment to pensioners and those receiving support payments

- Before 30 June 2019, a one-off cash payment may be offered to pensioners and those receiving support payments to assist with the payment of energy accounts. Payments are to be \$75 for singles and \$125 for couples.



How does the Budget impact small businesses?

Here are some of the measures that have come out of the Budget and how they impact small businesses.

Immediate tax write-off for new purchases costing under \$30,000

- From Budget night until June 2020, there will be an immediate write-off for each asset purchased costing up to \$29,999.99 for business with turnover up to \$50m. This extends measures introduced last year. Previously, instant write-offs were limited to asset purchases costing below \$19,999.99 (increased to \$24,999.99 in January 2019) and for those with turnover under \$10m.
- Small businesses with turnovers of less than \$10m can continue to use tax depreciation pooling for assets costing over \$30,000 and depreciate at 15% in the first year and 30% thereafter. If the pool balance falls below \$29,999.99, they can be written off immediately.
- Medium businesses with turnovers of between \$10m to \$50m are required to follow the annual depreciation rules with no immediate write-off for balance below \$29,999.99.

Note!

- The instant write-off thresholds are:
 - \$19,999.99 from 1 July 2018 to 28 January 2019 (businesses with turnovers of less than \$10m)
 - \$24,999.99 from 28 January 2019 to 2 April 2019 (for businesses with turnovers of less than \$10m)
 - \$29,999.99 from 2 April 2019 to 30 June 2020 (for businesses with turnovers of less than \$50m)
- If claiming GST, the instant write-off cost excludes GST. If *not* claiming GST, the instant write-off cost includes GST.
- You can have more than one write-off depending on the number of assets purchased.
- Assets can be new or second-hand.
- The instant asset write-off can be claimed in the year of first use or if installed and ready to use.

Tip!

Always discuss with your tax adviser when considering purchasing assets or businesses. The way assets are described, documented, and the timing of purchase are important and may impact the claiming of the instant write-off.

Small business tax rates going forward

- 2020-21: For unincorporated businesses, the small tax discount rate will be 13% and 16% for the years after that. The discount rate until then will continue to be 8%.
- 2021-22: For companies with turnover below \$50m, a tax rate of 25% will apply. The tax rate until then will be 27.5%.

Other announcements that will help small and medium businesses

Making it easier, quicker and cheaper to resolve tax disputes

- A new tax division dedicated to small business
- The ATO will pay reasonable costs when their decisions are questioned

Improving access to advice

- 10 tax clinics across the country, to provide free advice on tax

Improved access to finance

- A new \$2bn Australian Business Securitisation Fund to enhance access to finance

Making invoicing easier

- A new e-invoicing system that will help to save on cost of doing transactions and increase global trade

Cutting red tape

- Streaming the GST return by reducing questions

Improving digital capacity

- Appointing a non-Government agency to enhance capacity

Apprentices – Skills package

- Increase in cash incentives to encourage the creation of 80,000 new apprenticeships in the following trades – carpenters and joiners; plumbers; hairdressers; air-conditioning and refrigeration mechanics; bricklayers and stonemasons; plasterers; bakers and pastry cooks; vehicle painters; wall and floor tilers and arborists.
- Employers will receive cash incentive payments of \$8,000 per placement – double the existing rate. Employers will be eligible for \$3,500 after 12 months and \$4,500 at completion of the apprenticeship.
- The new apprentices will receive a \$2,000 cash payment (\$1,000 after 12 months and \$1,000 on completion).

Beware tax crackdown on tax dodging and welfare cheating

- An additional \$1bn over 4 years has been given to the ATO to boost their continuous review of those who are not paying their fair share of tax. The ATO has stated that they will increase their focus and investigations on accountants; lawyers; bankers; wealthy families and international companies. \$3.6bn is expected to be recovered from this work.
- Expect the tax returns of landlords to be closely reviewed and investigated. The ATO has said that nine out of 10 tax returns reviewed recently had property related errors. In total, \$47.4bn had been claimed as expenses and \$44.1bn returned as rental income. Further, the ATO said that in 2016-17, 1.3m taxpayers made combined losses of \$12bn from renting houses and units – 60% of rental properties returns showed losses and only 40% profit.



How does the Budget impact on large businesses?

- No tax increases or tax breaks were announced but there was confirmation that the ATO will increase their monitoring of, and investigation into, tax avoidance. A tax 'management' plan needs to be in place to support the reporting of results and the correct tax being paid.
- The ATO reported last month that since 1 July 2016, \$12.9bn in additional tax had been collected from public companies, multinationals and high wealth individuals.

Note!

Talk to your tax adviser about any questions that arise or the impact that the Budget may have in your personal circumstances.



Key tax dates

Date	Obligation
22 Apr 2019	March 2019 monthly BAS due
29 Apr 2019	March quarterly BAS due March quarter SG due March quarter PAYG instalment due
15 May 2019	Lodge 2018 income tax returns not due earlier
21 May 2019	FBT return due April 2019 monthly BAS
28 May 2019	March quarter SG charge statement due
21 Jun 2019	May 2019 monthly BAS due

Note!

Talk to your tax agent to confirm the correct due dates for your own tax obligations.

Disclaimer

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