The Budget 2018/19

This year's budget is rather unique as it almost immediately precedes a federal election. An election that has significant ramifications for Australia's economic prosperity.

Compared to the previous few years, this Budget was not as significant in terms of its overall impact on clients, strategies and the broader industry.

It is important to understand that the measures announced in the Budget are proposals only and will not become law until legislation is passed.

Given an election announcement is imminent, it is unlikely that any of these measures will be passed before the election.

Summary

In 2018/19

- Low and middle-income earners will benefit from tax savings as a result of an increase in the low and middle-income tax offset.
- The instant asset write-off threshold will increase from $20,000 to $30,000 for small and medium sized businesses with aggregated turnover of less than $50 million.
- A one-off payment will assist eligible social security and DVA recipients with the cost of energy bills.
- Aged Care funding will increase.

From 1 July 2019

- The Partner Service Pension will be available to former spouses of veterans.

From 1 July 2020

- People aged 65 and 66 will be able to make voluntary super contributions without having to meet the work test.
- The age limit for spouse contributions will increase to 74.
- More flexibility will be provided when calculating exempt current pension income.

Taxation

Personal tax rate changes

The major aspect of taxation reform centres on the Government's 'Personal Income Tax Plan'. The Personal Income Tax Plan was announced in the 2018-19 Federal Budget and is being phased in over a seven-year period.

The first set of changes implemented under the Personal Income Tax Plan, which took effect from 1 July 2018 (until 30 June 2022), was the introduction of a "Low and Middle Income Tax Offset", valued at up to $530 per annum. In this year's Budget, the Government has handed they will increase the maximum benefit to $1,080 per annum. This is proposed to commence on 1 July 2018, which means, if legislated the eligible individuals will have the benefits flow through when they lodge their tax return for the current year.

The Government has provided additional relief by making further changes to the thresholds and rates.

These changes are reflected in the table below.

Personal tax rates, thresholds and offsets

Tax rate (excluding Medicare)	Income Thresholds			Proposed tax rates from 1/7/2024	Proposed income thresholds from 1/7/2024
	Current from 2018/19	Proposed from 2018/19 to 2021/22	Proposed from 2022/23 to 2023/24		
0%	$0-$18,200	$0-$18,200	$0-$18,200	0%	$0-$18,200
19%	$18,201-$37,000	$18,201-$37,000	$18,201-$45,000	19%	$18,201-$45,000
32.50%	$37,001-$90,000	$37,001-$90,000	$45,001-$120,000	30%	$45,001-$200,000
37%	$90,001-$180,000	$90,001-$180,000	$120,001-$180,000	Not applicable	Not applicable
45%	> $180,000	> $180,000	> $180,000	45%	> $200,000
Low and middle income tax offset	Up to $530	Up to $1,080	Nil	Low and middle income tax offset	Nil
Low income tax offset	Up to $445	Up to $445	Up to $700	Low income tax offset	Up to $700

The changes to the LMITO will increase the base amount from $200 to $255 and the maximum up from $530 to $1,080. This will apply for the 2018/19 to 2021/22 financial years (as this is the legislated timeframe for this offset to end).

Superannuation

Superannuation contributions for older Australians

The work test will no longer need to be met to make voluntary contributions to superannuation from 1 July 2020 for those aged 65 and 66. The ability to utilise the bring-forward rule will also be amended to allow individuals less than age 67 to contribute a greater amount to superannuation. This means the work test requirements will align with Age Pension age which will be 67 from 1 July 2023.

There is no change to other criteria, such as the total superannuation balance, which will limit the ability to make non-concessional contributions.

The removal of the work test would provide the opportunity for those eligible clients to:

- make non-concessional contributions:
- Make concessional contributions including catch-up contributions
- Implement the recontribution strategy
- Manage tax, including capital gains tax
- Claim the spouse contribution tax offset or co-contributions (if eligible)
- Transfer foreign superannuation into an Australian superannuation account.

Superannuation contributions for older Australians

From 1 July 2020, the age limit for spouse contributions will increase to 74. Currently spouse contribution can only be made if the receiving spouse is under age 70. Additional flexibility will be provided by the removal of the work test for those aged 65 and 66. This would enable spouse contributions to be made for the receiving spouse without the need to satisfy the work test up to age 66. From age 67 to 74, the work test would need to be satisfied by the receiving spouse.

Making spouse contributions is a simple strategy that enables that spouse's superannuation to be boosted. This may be used as a means of equalising the superannuation interests of both members of the couple. It may also entitle the contributing spouse access to the spouse contribution tax offset.

There is no change to other criteria, such as the total superannuation balance, which will limit the ability to make non-concessional contributions.

Social Security

One-off energy payment

From 1 July 2019, a one-off payment of $75 for singles and $62.50 for each eligible member of a couple will be made to assist with the cost of energy bills. To be eligible, an individual must be a resident in Australia and be eligible for a qualifying payment on 2 April 2019. Qualifying payments are:

- Age Pension
- Disability support
- Carer Payment
- Parenting Payment (Single
- Veterans' Service Pension
- Veterans' Income Support Supplement
- Veterans' Disability Payments
- War Widow(er)s' Pension, and
- Certain permanent impairment payments.

The payment will be tax free and not counted as income for social security purposes.

Aged Care

Better access to care

From 1 July 2018, more funding will be available to improve the quality, safety and accessibility of residential and home care services including:

- The release of an additional 10,000 home care packages across the four package levels, and
- Developing an end-to-end compliance framework for the Home Care program, including increasing auditing and monitoring of home care providers.