

Federal Budget 2018-19

Living within our means

The focus of this year's budget was on reining in spending, cutting taxes for middle Australia and small to medium sized enterprises, and giving older Australians a bit of love.

The Government revealed a seven-year personal income tax plan for "lower, fairer and simpler taxes" with relief for low and middle income earners, starting 1 July 2018. The measures will also tackle bracket creep.

From 1 July 2018, the Government will provide a tax offset of up to \$530 for tax payers in the 2018-19, through 2021-22 financial years.

Those earning up to \$37,000 who currently face a 19 per cent tax rate will have their tax bill reduced by up to \$200. These savings will increase incrementally between \$37,000 and \$48,000 to a maximum saving of \$530 for those earning between \$48,000 and \$90,000. The benefit will then gradually reduce to zero at an income of just over \$125,000.

Bracket creep measures will see the upper threshold of the 32.5% tax bracket increase from \$87,000 to \$90,000 from 1 July 2018 and to \$120,000 from 1 July 2022. The Low Income Tax offset will also increase from \$445 to \$645 from 1 July 2022.

This will be followed by a flatter personal tax system by 2024-25 where the 37 per cent tax bracket will be abolished completely. Australians earning more than \$41,000 will then pay only 32.5 cents in the dollar all the way to the top marginal tax rate threshold that will be adjusted to \$200,000.

The top marginal tax rate of 45 per cent will apply to incomes above \$200,000.

Small to medium sized enterprises

Attention to small to medium sized enterprises was targeted at keeping them competitive globally. The Government extended the \$20,000 instant asset write off for a further 12 months to 30 June 2019 for businesses with a turnover of up to \$10 million.

Tax cuts for small business began in 2016-17 when companies with a turnover of less than \$10 million had their tax rate cut to 27.5%. This rate was extended to companies with annual turnover less than \$25 million in this financial year and from 1 July 2018 will be expanded to include companies with annual turnover less than \$50 million.

The Government also announced tough new anti-phoenixing measures to stop businesses who deliberately go bust to avoid paying their bills and potentially affecting other businesses through their demise.

Superannuation

The focus on superannuation was on lost super and allowing Australians to build their super balances by saving unnecessary fees and unwanted insurance.

The ATO will be given powers to send lost super to people's active super accounts. Fees on accounts with balances of less than \$6,000 will be capped at 3 per cent and superannuation fund exit fees will be abolished for those wanting to switch funds.

For superannuation fund members aged under 25, they will need to opt in should they wish to have insurance within their super policies.

For SMSFs, the maximum number of members will increase from 4 to 6 people from 1 July 2019. This will allow for greater flexibility for larger families. In addition, the audit requirements for SMSFs will move from annually to three year periods for funds with a history of good record keeping and compliance.

For older Australians

The Pension Loans Scheme will be open to all Australians, including full rate pensioners and self-funded retirees to enable them to boost their retirement income by up to \$17,800 pa for a couple, without affecting their eligibility for the pension or other benefits.

An expanded Pension Work Bonus will allow pensioners to earn an extra \$1,300 a year without reducing their pension payments. This will also be extended to self-employed individuals who can now earn up to \$7,800.

People aged 65-74 with a total superannuation balance below \$300,000 will now be exempted from the work test for voluntary contributions for the first year they would otherwise fail to meet the work test.

Aged care, skills training, Medicare and the PBS

For older Australians who would like the choice to remain in their homes and avoid residential aged care facilities, there will be a total of 74,000 high level home care places funded by 2021-22.

A new Skills Training Incentive will provide mature aged workers with the opportunity to update their skills. And, employers will be incentivised with \$10,000 wage subsidies for employing mature workers.

Extra funding into Medicare and the PBS will see new medications being funded including those to treat spinal muscular atrophy, breast cancer, refractory multiple myeloma and relapsing-remitting multiple sclerosis and an HIV preventive drug.

For more information

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