

A Budget to strengthen the economy, create jobs and guarantee essential services while ensuring the Australian Government lives within its means was the overriding promise of the recently handed down Federal Budget on 8 May 2018.

A major highlight that is being proposing is a three-step, seven year plan to ensure personal income tax is lower, fairer and simpler. The Budget also covered additional measures to counter the black economy in order to crack down on illegal activities within the tax and superannuation systems.

### Individuals Tax Cuts

Commencing on 1 July 2018, personal tax cuts will be available for those earning up to \$90,000. However, the tax relief will not appear in weekly pay packets as it comes in the form of a tax offset, which will be received after lodgement of your tax return.

The changes will see taxpayers on wages of up to \$37,000 a year gain a further tax offset of \$200 on top of existing tax offsets. Taxpayers earning between \$48,000 and \$90,000 will receive the maximum \$530 non-refundable Low and Middle Income Tax Offset, while for those earning over \$90,000 the offset will taper off before reaching zero for those earning over \$125,333.

The ATO will also be targeting 'dodgy' taxpayers and tax agents. The Government announced significant funding has been provided to increase compliance activities from 1 July 2018.

### Changing the Tax System

In July 2024, the 37% tax bracket will be eliminated and will result in all taxpayers earning between \$41,001 and \$200,000 paying a marginal tax rate of 32.5%. These changes will leave only four tax brackets with the top marginal tax rate being raised to \$200,001.

With these new thresholds, 94% of workers will be in the same tax bracket, leaving only those earning over \$200,001 paying the top marginal tax rate of 45%.

### Medicare Levy

The previously announced increase to the Medicare levy from 2% to 2.5% of taxable income from 1 July 2019 will not proceed, however, the Medicare levy low-income thresholds for singles, families, seniors and pensioners will be increased from the 2017/18 income year.

### Small Businesses

The Budget confirmed that the \$20,000 instant asset write-off will be extended for small businesses by another year to 30 June 2019.

GST reporting will be further streamlined and the BAS questions will be reduced to three.

### Changes to R&D Tax Breaks

Significant changes to the calculation of the R&D tax incentive will commence for income years beginning on or after 1 July 2018 to stop companies claiming tax breaks incorrectly and to restore the integrity of the scheme.

### Black Economy Measures

Deductions for expenses associated with holding vacant land not genuinely used to earn assessable income will be denied. This will cover land held for residential or commercial purposes.

Payments to employees and contractors are no longer deductible where any amounts that are required to be withheld are not paid, effective from 1 July 2019.

Businesses can no longer receive cash payments above \$10,000 for goods and services, effective from 1 July 2019.

The taxable payments reporting system for payments to contractors will be expanded to include security services, road freight transport and computer system design industries, effective from 1 July 2019.

### Superannuation

The Budget announced a number of measures with respect to superannuation and include the following:

- The maximum number of allowable members in SMSFs and small APRA funds will be increased to six from 1 July 2019.
- The annual audit requirement for self-managed superannuation funds will be changed to a three-yearly requirement for funds with a history of good record keeping and compliance.
- From 1 July 2018 individuals whose income exceeds \$263,157, and have multiple employers, will be able to nominate that their wages from certain employers are not subject to the superannuation guarantee (SG).

- Individuals will be required to confirm in their income tax returns that they have complied with “notice of intent” requirements in relation to their personal superannuation contributions, effective from 1 July 2018.
- An exemption from the work test for voluntary contributions to superannuation will be introduced from 1 July 2019 for people aged 65-74 with superannuation balances below \$300,000, in the first year that they do not meet the work test requirements.
- In respect of retail and industry superannuation funds, a 3% annual cap will be introduced on passive fees charged by the funds on accounts with balances below \$6,000, and exit fees on all superannuation accounts will be banned.

**If you would like to discuss how any of these measures may impact your circumstances, do not hesitate to contact our office.**

The full Budget papers are available at [budget.gov.au](http://budget.gov.au).

Please note the above Budget announcements are be subject to legislation being passed.

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