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Federal Budget
2018/19



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Summary

With a keen eye on next year's election, the 2018/19 Federal Budget ('The Budget') delivers tax savings to low-middle income earners, another year of the immediate asset write-off for SME's, ongoing support for the essential services and business, and a continuing focus on infrastructure spending for job creation.

The Budget, however, fails to undertake any profound, revolutionary tax reform.

Fortunately, the Government has predominantly untouched superannuation, allowing the dust to settle on the super reforms of last year's budget.

The eye-catching item of this year's budget sees our personal income system shift towards becoming lower, fairer and simpler for hard-working Australians.

Treasurer Scott Morrison has announced an audacious seven-year plan that will result in a single tax rate of 32.5% for Australians earning between \$41,000 and \$200,000 per annum.

We currently have three tax rates for income earned between \$37,000 and \$180,000.

The flow on effect of this means that 94% of all taxpayers will pay no more than 32.5% in the dollar (as opposed to 63% presently).



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Personal Income Tax

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The Government wishes to implement a multi-year plan to make personal income taxes **lower, fairer** and **simpler**. We have prepared the below three tables to highlight how this will likely affect you.

Table 1 outlines the proposed changes to income tax rates and thresholds. Interestingly, the 37% tax rate will be abolished by FY25, greatly simplifying the way we determine our income tax liability.

Table 2 uses sample incomes to calculate tax payable figures across the Government's multi-year plan. Subsequently, Table 3 calculates the effective tax rates for each sample and year respectively.

TABLE 1: TAX RATES & THRESHOLDS

Rate	Current	2018/19 – 2021/22	2022/23 – 2023/24	2024/25 & Onwards
0%	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$37,000	\$18,201 - \$41,000	\$18,201 - \$41,000
32.5%	\$37,001 - \$87,000	\$37,001 - \$90,000	\$41,001 - \$120,000	\$41,001 + \$200,000
37%	\$87,001 - \$180,000	\$90,001 - \$180,000	\$120,001 - \$200,000	Abolished
45%	\$180,001+	\$180,001+	\$200,001+	\$200,001+

TABLE 2: INCOME TAX PAYABLE

Income	Current	2018/19-2021/22	2022/23-2023/24	2024/25 Onwards	Tax Saving (Current v FY25)
50,000	7,797	7,797	7,257	7,257	\$ 540
90,000	20,932	20,797	20,257	20,257	\$ 675
120,000	32,032	31,897	30,007	30,007	\$ 2,025
150,000	43,132	42,997	41,107	39,757	\$ 3,375
200,000	63,232	63,097	59,607	56,007	\$ 7,225
300,000	108,232	108,097	104,607	101,007	\$ 7,225

TABLE 3: EFFECTIVE TAX RATES

Income	Current	2018/19-2021/22	2022/23-2023/24	2024/25 Onwards	Difference (Current v FY25)
50,000	15.59%	15.59%	14.51%	14.51%	1.08%
90,000	23.26%	23.11%	22.51%	22.51%	0.75%
120,000	26.69%	26.58%	25.01%	25.01%	1.69%
150,000	28.75%	28.66%	27.40%	26.50%	2.25%
200,000	31.62%	31.55%	29.80%	28.00%	3.61%
300,000	36.08%	36.03%	34.87%	33.67%	2.41%



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Personal Income Tax *continued*

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Another measure to be introduced by the Government, providing some **immediate short-term relief**, is the **Low and Middle Income Tax Offset** ('LMITO').

The LMITO comes in the form of a non-refundable tax offset of up to \$530 in FYs 2019, 2020, 2021 and 2022:

- Tax relief of up \$200 for those earning up to \$37,000
- Benefit increases incrementally for those earning between \$37k and \$48k
- LMITO of \$530 for those earning between \$48k and \$90k
- LMITO gradually reduces to zero at a taxable income of \$125,333

Finally, the budget intends to provide **protection** to **middle-income earners** against **bracket creep**.

From 1 July 2018, the top threshold of the 32.5% personal income tax bracket will be increased from \$87k to \$90k.

From 1 July 2022, the low income tax offset will be increased from \$445 to \$645, and the 19% personal income tax bracket will be increased from \$37k to \$41k.

Also, from 1 July 2022, the top threshold of the 32.5% personal income tax bracket will be further increased from \$90k to \$120k.





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Business

Small Business Immediate Asset Write-off

The Government has again extended the Small Business asset write-off for assets costing less than \$20,000, to 30 June 2019. The rule was initially planned to end on 30 June 2017, but was extended in last year's budget.

The concession is available for most assets (there are limited exclusions), and to taxpayers with assessable income on a grouped basis, of less than \$10m.

Note that the \$20,000 threshold is net of GST for businesses that are registered for GST, or inclusive of GST where the taxpayer is not registered.

Small businesses proposing to accelerate the purchase of new depreciable assets prior to 30 June 2018, now have some further breathing space.



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Infrastructure

Infrastructure spending is set to ramp up yet again.

In addition to the 10-year \$75 billion infrastructure projects already announced, the government will create a \$1 billion Urban Congestion Fund to improve traffic flow and safety at state level.

And a further \$3.5 billion is to be spent on a Roads of Strategic Importance initiative, upgrading key freight routes.

In Victoria, the Government intends to spend \$5.1 billion on a Rail Link from Melbourne Airport, \$500m upgrading the M80 Ring Road and a further \$500m upgrading the Monash Freeway.





Aged Care

Things to Note

- Increase in the number of home care places by 14,000 over four years at a cost of \$1.6 billion
- \$146 million to improve access to aged care services in rural, regional and remote areas
- \$83 million for mental health services in residential aged care facilities to combat depression
- Creation of a national online register for enduring powers of attorney
- Government to fund targeted programs run by local sporting organisations and community groups to encourage older Australians to remain physically active

Superannuation

Key Reforms

- Banning exit fees on superannuation accounts when people change funds
- The ATO will be given the capacity to actively reunite Australians with their lost and inactive superannuation, boosting their balances at retirement
- Those under 25 will not be forced to pay for life insurance as part of super
- Pensions Loan Scheme opened to all older Australians without impact on pension or benefits
- Expanded Pension Work Bonus will allow for pensioner to earn an extra \$1,300 a year
- Wage subsidies of up to \$10,000 for employers who take on older workers
- Skills and Training Incentives to allow mature age workers to update their skills





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Other Items

Medical & Health

- The new five year hospitals agreement with States and Territories will deliver \$30 billion in additional funding
- 21st century medical industry plan to create more jobs in the sector
- \$500 million over 10 years for the Medical Research Fund
- Extra \$1.4 billion for listings on the PBS, including treatments for HIV, spinal muscular atrophy, breast cancer, refractory multiple myeloma, and relapsing- remitting multiple sclerosis.

Technology

\$2.4 billion to be invested in public technology infrastructure including super computers and satellite technology.

Border Control

\$50 million to be spent to upgrade security infrastructure at 64 regional airports and \$122 million to be spend on both enhanced screening of inbound air cargo and international mail, and increasing border force capability at 9 domestic and international airports. Also, \$160 million to be spent to help agencies fight crime and prevent terrorism.

Community

\$154 million to promote healthy living, including \$83 million for existing community sport facilities and to expand local and school sporting programs.

Holding vacant land to become more expensive

The Government has announced that anyone passively holding vacant land for future development from 1 July 2019 will face the denial of deductions for holding costs.

Black Market

The expanding of the taxable payment reporting system and an economy-wide cash payment limit of \$10k to reduce money laundering techniques and tax evasion.

Illegal Phoenixing

Continued targeting of illegal phoenixing arrangements where a new company is established to continue the business of another entity that was liquidated to avoid paying its liabilities.

