Federal Budget update 2019/20

How the Budget may affect Small Business Owners

This year's Federal Budget is an 'election budget' with future tax cuts for all Australians, especially low and middle income earners. Overall, there were minimal changes to super proposed in the Budget, with minor changes to super contributions for older Australians.

We've summarised some of the key points from the Budget below, but remember these are subject to the passing of legislation.

- Enhancements to instant asset write-off for small or medium businesses.
- From 1 July 2022, the upper personal income tax threshold for the 19% tax rate will increase to $45,000.
- From 1 July 2024, the 32.5% tax rate will reduce to 30%.
- Increase to the tax offset for low and middle income earners.
- Increase to the age at which people can contribute to super without meeting the work-test.
- Employment income reported through Single Touch Payroll.

Tax

Enhancements to the instant asset write-off

If you have a small or medium business you can immediately deduct eligible assets costing less than $30,000. The assets must be first used or installed, ready for use, between 7:30pm (AEDT) on 2 April 2019 and 30 June 2020.

Assets acquired between 29 January 2019 and before 7:30pm (AEDT) on 2 April 2019 are subject to a $25,000 threshold and is limited to small businesses.

The instant asset write-off is expanded to medium businesses by increasing the annual turnover threshold from $10 million to $50 million.

Certain assets are not eligible, for example, horticultural plants and in-house software.

Personal income tax cuts

The Government proposes the following personal income tax rates.

- From 1 July 2022, the top threshold of the 19% tax bracket will increase from $41,000 to $45,000 and the low income tax offset (LITO) will increase from $645 to $700.
- From 1 July 2024, the 32.5% tax rate will reduce to 30%.

Proposed personal tax rates and thresholds

Tax rate	Current threshold	Threshold from 1 July 2022	Threshold from 1 July 2024
Nil	0 - $18,200	0 - $18,200	0 - $18,200
19%	$18,201 - $37,000	$18,201 - $45,000	$18,201 - $45,000
32.5% (until 30 June 2024) and 30% from 1 July 2024	$37,001 - $90,000	$45,001 - $120,000	$45,001 - $200,000
37%	$90,001 - $180,000	$120,001 - $180,000	-
45%	$180,000+	$180,000+	$200,000+
Low and middle income tax offset (max)	$1,080	-	-
Low income tax offset (max)	$445	$700	$700

To help you estimate the tax benefits for your level of income refer to the Government's **online calculator**

Low and middle income tax offset

The low and middle income tax offset (LMITO) will increase for the 2018/19 to 2021/22 financial years. After this, LMITO is not available. The maximum LMITO will increase from $530 to $1,080.

Medicare levy low income thresholds

From 1 July 2018, the Medicare levy low income thresholds will be increased to reflect movements in the consumer price index (CPI).

Social Security

Employment income reported through Single Touch Payroll

From 1 July 2020, fortnightly employment income for social security purposes will be reported to Government agencies, such as Centrelink, through Single Touch Payroll. This verification process will reduce the likelihood of an overpayment and the need for the individual to subsequently repay it.

Superannuation

Superannuation contributions for pre-retirees

From 1 July 2020, there will be no work test for people aged 65 and 66 when making concessional and non-concessional contributions. Currently, you need to work at least 40 hours over a 30 day period to contribute.

Also, the three-year bring-forward for non-concessional contributions is proposed to be extended to people aged 65 and 66 which means they could contribute up to $300,000 in non-concessional and $25,000 concessional contributions in one year.

Spouse contributions

From 1 July 2020, you can continue to receive spouse contributions up to age 74, up from age 69, if the work test is met. This will help couples even up their super balances as they near retirement.

Self-managed super funds

From 1 July 2020, the Government proposes to streamline the calculation of ECPI which will simplify reporting and reduce costs. Funds with interests in both the accumulation and retirement phases during an income year will be able to choose their preferred method of calculating ECPI.

From 1 July 2020, the Government will also remove the requirement for funds to obtain an actuarial certificate when calculating ECPI for funds that have 'disregarded small fund assets', where all members of the fund are fully in the retirement phase for all of the income year.

Release authorities via SuperStream

Funding will be provided to the ATO to develop capabilities to send release authorities to super funds via the electronic SuperStream system, from 31 March 2021.

Government agency funding

The Government will provide additional funding to facilitate the Government's response to the Royal Commission, including additional resources for the Australian Taxation Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

Infrastructure

The Government has proposed spending on several infrastructure projects including roads, rail and carparking with the spend going directly to those electorates in need.

Apprenticeships

The Government has proposed up to 80,000 new apprenticeships in industries with skill shortages as well as increased incentive payments for employers and workers.

What's next

The announcements in the update are proposals unless stated otherwise. These proposals need to be successfully passed through Parliament before becoming law and may be subject to change.

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