



BARTONS

chartered accountants
wealth advisors

Federal Budget 2018-19 Summary.

overview.

On 8 May 2018, the Government delivered the 2018-19 Federal Budget, and it would be reasonable to say that this Budget starts to lay a foundation for the next Federal election.

The focus of the budget was building a stronger economy by creating jobs and guaranteeing essential services. As most households have had to tighten their budgets over the past few years, the Treasurer has announced that the Government must also live within its means. He said the Government has made real progress in getting the budget back on track and that it has stayed on track for a surplus for six successive budget updates.

From a pure financial planning and wealth perspective, the positive news from this year's Budget is that the changes are minimal in number compared to prior years, and largely positive in nature. With changes to personal taxation thresholds and tax offsets from 1 July 2018 over a seven year period, measures to reduce possible erosion of super balances, particularly for low balance accounts, and allowing Age Pensioners to earn more before their pension is reduced, there is something for nearly everyone in this Budget.

As is always the case, these measures will need to pass through the legislative process before they become law, and may change during that process.

Following is a summary of some of the major proposals and how they may affect you.

taxation.

The major plank of taxation reform centres on the Government's proposed "Personal Income Tax Plan". Under this proposal, income tax relief will progressively be provided over a seven year period commencing 1 July 2018.

The main focus for the first four years from 1 July 2018 is the introduction of a new "Low and Middle Income Tax Offset", the will provide a tax offset valued at up to \$530. The maximum benefit will flow to those with taxable income ranging from \$48,000 to \$90,000, but there is some possible benefit if your taxable income is below \$48,000 and also if it is up to \$125,333.

In conjunction with this, changes will progressively be made to the marginal tax rate thresholds, with the ultimate goal of removing the 37% tax rate altogether.

These changes are reflected in the table on the next page: Resident marginal tax rates and thresholds.

The Government has also announced it will not proceed with its measure announced in the 2017 Budget which would have seen the Medicare levy increase to 2.5% from 1 July 2019. Instead, it will remain at the existing rate of 2.0% of taxable income.

Small business owners will also gain the benefit of a further 12 month extension until 30 June 2019 of the ability to claim an instant asset write off for eligible assets purchased that are worth up to \$20,000.

superannuation.

Thankfully, superannuation remained largely untouched. There was re-confirmation of a pre-Budget announcement that from 1 July 2019, the maximum number of members permitted to be in a self managed super fund will increase from four to six.

Some relief was provided to those aged 65-74 who have stopped working, allowing them a one-off opportunity to make a contribution to super from 1 July 2019 without meeting the work test, but only where they have less than \$300,000 in super.

Other measures were announced that also take effect from 1 July 2019, which will help protect, and perhaps preserve, balances in super accounts that have fallen to below \$6,000. This includes a capping on certain fees that can be applied, as well as the removal of default insurance arrangements. In addition, super funds will not be able to impose exit fees if you choose to roll your super from one fund to another.

P 08 8179 7100

E hello@bartons.com.au

clarity for life.
bartons.com.au

resident marginal tax rates and thresholds (excluding Medicare levy).

Current Tax-able Income thresholds	Tax rate	From 1 July 2018	Tax rate	From 1 July 2022	Tax rate	From 1 July 2024	Tax rate
Up to \$18,200	Nil	Up to \$18,200	Nil	Up to \$18,200	Nil	Up to \$18,200	Nil
\$18,201 - \$37,000	Nil + 19% of each dollar over \$18,200	\$18,201 - \$37,000	Nil + 19% of each dollar over \$18,200	\$18,201 - \$41,000	Nil + 19% of each dollar over \$18,200	\$18,201 - \$41,000	Nil + 19% of each dollar over \$18,200
\$37,001 - \$87,000	\$3,572 + 32.5% of each dollar over \$37,000	\$37,001 - \$90,000	\$3,572 + 32.5% of each dollar over \$37,000	\$41,001 - \$120,000	\$4,332 + 32.5% of each dollar over \$41,000	\$41,001 - \$200,000	\$4,332 + 32.5% of each dollar over \$41,000
\$87,001 - \$180,000	\$19,822 + 37% of each dollar over \$87,000	\$90,001 - \$180,000	\$20,797 + 37% of each dollar over \$90,000	\$120,001 - \$180,000	\$30,007 + 37% for each dollar over \$120,000	Removed	Removed
\$180,001 and over	\$54,232 + 45% of each dollar over \$180,000	\$180,001 and over	\$54,097 + 45% of each dollar over \$180,000	\$180,001 and over	\$52,207 + 45% of each dollar over \$180,000	\$200,001 and over	\$56,007 + 45% of each dollar over \$200,000

social security.

Again from 1 July 2019, changes will be made to certain entitlements under the Age Pension regime, which will allow certain Age Pensioners to earn additional income from employment activities (including self employment) before their pension may be reduced. Additionally, more pensioners will be eligible to access some of the equity in their own home under the Pension Loan Scheme.

The Government has also proposed a number of changes to the aged care system, with a goal of providing more choices to people as to how they wish to live later in life.

concluding thoughts.

Overall, the number of changes announced in this year's Federal Budget are small compared to prior years. Whilst this is a positive, and many will look to benefit from income tax changes, any possible benefit gained is only half the story.

The real question is what you do with those savings.

The most important consideration you might have right now is to ensure that you don't over- react to measures as they are still only proposals. The best thing you can do is seek advice that is personal to your own circumstances. The first step to take is talk with a financial adviser.

Disclaimer.

Past performance is not a reliable indicator of future performance. The information and any advice in this publication does not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it. This article may contain material provided directly by third parties and is given in good faith and has been derived from sources believed to be reliable but has not been independently verified. It is important that your personal circumstances are taken into account before making any financial decision and we recommend you seek detailed and specific advice from a suitably qualified adviser before acting on any information or advice in this publication. Any taxation position described in this publication is general and should only be used as a guide. It does not constitute tax advice and is based on current laws and our interpretation. You should consult a registered tax agent for specific tax advice on your circumstances.