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BUSINESS BULLETIN

WINTER 2019

Federal Election Washup Special

WITH THE GOVERNMENT RETURNED AT THE RECENT FEDERAL ELECTION, WE LOOK AT WHAT THIS MEANS FROM A TAX PERSPECTIVE.

BUSINESS

Instant Asset Write Off

With the Government winning, the major depreciation reform that was implemented just prior to the Election will remain in place. That is, going forward, new purchases from 2 April 2019 of business-related assets up to \$30,000 (up from \$25,000) can be written off immediately if your business has a turnover of less than \$50 million (up from \$10 million). If you were already contemplating investing in depreciating assets, you may wish to consider bringing that investment forward to before 1 July in order to improve your overall 2018/2019 tax position.

Further Company Tax Cuts Shelved

The Government has abandoned plans to extend the corporate tax cuts to companies with a turnover in excess of \$50 million. The company tax rates will remain as legislated for companies with a turnover below \$50 million as follows:

2018-19 to 2019-20 27.5%

2020-21 26.0%

2021-22 25.0%

KEY DATES

21 JUNE

Lodge May monthly Activity Statements

1 JULY

Start of the 2019/2020 financial year

14 JULY

Provide payment summaries to employees

21 JULY

Lodge June monthly Activity Statements

28 JULY

Make Superannuation Guarantee contributions

28 JULY

Lodge 4th quarter Activity Statements (if lodging by paper)

14 AUGUST

Lodge PAYG withholding payment summary annual report

21 AUGUST

Lodge July monthly Activity Statements

25 AUGUST

Lodge 4th quarter Activity Statements (if using a BAS or Tax Agent)

As well as having a turnover of less than \$50 million, eligibility for the lower corporate tax rate (currently 27.5%) depends on the company being a 'base rate entity' which broadly speaking requires that companies must not receive more than 80% of their assessable income in passive forms (e.g. from interest, dividends, rent etc.). Otherwise, a 30% rate applies.

INVESTORS

50% CGT Discount Unchanged

The CGT discount will remain at 50% for assets held for 12 months or more. Note that companies are not eligible for the discount, and the discount for super funds is 33%. The Federal Opposition had proposed to reduce the discount to 25% for assets purchased on or after 1 January 2020.

No Negative Gearing Changes

With the Government being re-elected, there will be no changes to the existing negative gearing rules. The Opposition had proposed to limit negative gearing to new housing from 1 January 2020.

Franking Credit Refunds Live On

Investors (including superannuation funds) will continue to be entitled to a refund of excess franking credits in circumstances where the franking credits exceed their tax payable.

SUPERANNUATION

The Government committed to no new taxes on superannuation last month. However, it's unclear how long this guarantee is in place for. Going forward, the Government intends to implement the following superannuation policies, most of which were proposed in the recent Federal Budget.

Removal of Work Test for Certain Taxpayers

The current superannuation work test will be removed for people aged 65 and 66 from 1 July 2020. This will enable an estimated 55,000 individuals to make concessional (i.e tax deductible) and non-concessional (non tax deductible) superannuation contributions even if they are not working. Under current rules, they can only make voluntary contributions if they meet the work test, which requires that they work a minimum of 40 hours over a 30-day period.

Extending Eligibility for the Bring-Forward Cap

From 1 July 2020, access to the bring-forward cap will be extended from taxpayers aged less than 65 years of age to those aged 65 and 66. This will enable these taxpayers to make up to three years' worth of non-concessional contributions, normally capped at \$100,000 a year, to superannuation in a single year (but no further contributions for that current or two subsequent financial years).

Increase to Age Limit for Spouse Contributions

The age limit for spouse contributions will increase from 69 to 75 from 1 July 2020. This provides taxpayers with a greater ability to contribute on behalf of their spouse and, in doing so, provide for their retirement and potentially access a tax offset of up to \$540 if their spouse is a low-income earner.

SMSF Member Increase

The Government will move to have six-member self-managed superannuation funds (SMSFs) legislated (up from the current limit of four members).

FIRST HOME BUYERS

During the Election campaign, the Government pledged to help first home-buyers into the market by topping up their 5% deposits with a Government guarantee for 15% of the loan.

Single people earning up to \$125,000 or couples earning up



to \$200,000 will be eligible for this first-home loan deposit scheme if they have saved 5% of the value of the home.

The Government will set aside \$500m of equity through the National Housing Finance and Investment Corporation to guarantee loans up to a value of 20% of the home. Buyers won't need to have a full 20% deposit and will save around \$10,000 by not having to pay lenders mortgage insurance.

The scheme is limited to 10,000 first homebuyers, roughly one-in-10 of the 110,000 Australians who bought their first home in 2018.

The Government has suggested there will be regional caps on the value of homes for which it will guarantee a deposit

Once the first home buyer has borrowed 95% of the value of the house, the Government guarantee lasts until the homeowner refinances.

The Opposition also adopted this policy after it was announced, so therefore there is a high likelihood that it will pass into law when Parliament resumes in the first week of July.

PERSONAL TAX

Increased Tax Offset for Low and Middle Income Earners

The centrepiece of the recent Federal Budget, and a measure the Government re-committed to during the Election campaign, was immediate tax relief for individuals earning up to \$126,000. This is in the form of the Low and Middle Income Tax Offset (LMITO) which the Opposition also states that it supports.

This will come into almost immediate effect, in that it will apply to upcoming tax returns lodged for 2018/2019. Under the changes, the reduction in tax provided by LMITO will increase from a maximum amount of \$530 to \$1,080 per year and the base amount will increase from \$200 to \$255 per year for the 2018/2019, 2019/2020, 2020/2021 and 2021/2022 financial years. Those on incomes between roughly \$48,000 and \$90,000 per year will receive the full \$1,080 offset, while for individuals with incomes of \$90,000 to \$126,000 the offset will taper off at a rate of 3 cents per dollar for every dollar over \$90,000. Those who earn less than \$37,000 will receive an offset of \$255.

This offset does not need to be claimed separately in tax returns. Rather it will automatically be processed and provided to taxpayers when they lodge their upcoming 2018/2019 income tax returns. If the legislation is not in place by 1 July 2019 when people first start lodging their tax returns, the ATO is at this stage proposing to process and issue amended assessments to those who lodged before the law is passed to include the LMITO entitlement.

No Re-Introduction of the Deficit Levy

With the Opposition losing the election, the Deficit Levy will not be re-introduced. This was originally introduced by the Abbott Government in the form of a 2% increase to the top marginal tax rate which kicks in at \$180,000, increasing that top rate from 45% to 47% (not including Medicare levy). With the Government being re-elected, the top marginal tax rate will remain at 45% going forward.

