

Treasurer Josh Frydenberg's first Budget focuses on reducing the tax burden for the majority of working Australians, greater superannuation flexibility for retirees and a one-off energy relief payment for eligible income support recipients.

## Taxation

### Personal income tax savings

*Date of effect: From 1 July 2018*

Low and middle income earners will benefit from an increase in the low and middle income tax offset (LMITO) in 2018/19, as well as tax rate and income threshold changes from 2024/25.

#### Personal income tax thresholds and low and middle income tax offset

Personal tax rates and thresholds					
Tax rate (excluding Medicare)	Income thresholds			Proposed tax rates from 1/7/2024	Proposed income thresholds from 1/7/2024
	Current for 2018/19	Proposed for 2018/19 to 2021/22	Proposed from 2022/23 to 2023/24		
0%	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200	0%	\$0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$37,000	\$18,201 - \$45,000	19%	\$18,201 - \$45,000
32.5%	\$37,001 - \$90,000	\$37,001 - \$90,000	\$45,001 - \$120,000	30%	\$45,001 - \$200,000
37%	\$90,001 - \$180,000	\$90,001 - \$180,000	\$120,001 - \$180,000	Not applicable	Not applicable
45%	> \$180,000	> \$180,000	> \$180,000	45%	> \$200,000
Low and middle income tax offset	Up to \$530	Up to \$1,080	Nil	Low and middle income tax offset	Nil
Low income tax offset	Up to \$445	Up to \$445	Up to \$700	Low income tax offset	Up to \$700

Low and Middle Income Tax Offset		
Maximum offset amount	Shade-out income	Increase or decrease
\$255	\$0-\$37,000	N/A - entitled to maximum
\$1,080	\$37,000 - \$48,000	Increase \$0.075 per \$1
\$1,080	\$48,000 - \$90,000	N/A - entitled to maximum
\$1,080	\$90,000 - \$126,000	Reduction \$0.03 per \$1

## Personal tax savings

The table below illustrates the tax payable in future financial years and the potential tax savings compared to 2018/19, for a range of taxable incomes. These figures take into account the proposed personal income threshold and tax offset changes.

Tax payable and potential savings							
Taxable income	Current tax payable in 2018/19	Proposed from 2018/19 to 2021/22		Proposed from 2022/23 to 2023/24		Proposed from 2024/25 onwards	
		Tax payable	Tax saved*	Tax payable	Tax saved*	Tax payable	Tax saved*
\$40,000	\$4,657	\$4,467	\$190	\$4,367	\$290	\$4,367	\$290
\$80,000	\$18,617	\$18,067	\$550	\$18,067	\$550	\$17,192	\$1,425
\$120,000	\$34,217	\$34,117	\$100	\$31,867	\$2,350	\$29,992	\$4,225
\$160,000	\$49,897	\$49,897	\$0	\$47,467	\$2,430	\$42,792	\$7,105
\$200,000	\$67,097	\$67,097	\$0	\$64,667	\$2,430	\$55,592	\$11,505

\* Tax savings is based on comparison with current tax payable in 2018/19. Figures based on Government Tax relief estimator calculator

The tax saving will vary, but regardless of the amount, how this money is spent should be considered. For example, should the savings be directed to debt reduction or an offset account? Other households may benefit from the additional amount to put towards personal expenditure or additional personal savings (such as superannuation contributions).

## Small business instant asset write-off

*Date of effect: From 2 April 2019*

The Government will increase the threshold for the immediate asset write-off from \$20,000 to \$30,000. This is an extension from the already announced measure to increase to \$25,000 from 29 January 2019 to 30 June 2020.

The measure will also extend from small businesses with aggregated turnover of less than \$10 million to medium sized businesses with aggregated turnover of less than \$50 million.

The higher write-off threshold will apply from 7.30pm on the Budget night until 30 June 2020.

## Superannuation

### Superannuation contributions for older Australians

*Date of effect: 1 July 2020*

The work test will no longer need to be met to make voluntary contributions to superannuation from 1 July 2020 for those aged 65 and 66. The ability to utilise the bring-forward rule will also be amended to allow individuals less than age 67 to contribute a greater amount to superannuation. This means the work test requirements will align with Age Pension age which will be 67 from 1 July 2023.

There is no change to other criteria, such as the total superannuation balance, which will limit the ability to make non-concessional contributions.

The removal of the work test would provide the opportunity for those eligible clients to:

- make non-concessional contributions
- make concessional contributions including catch-up contributions
- implement the recontribution strategy
- manage tax, including capital gains tax
- claim the spouse contribution tax offset or co-contributions (if eligible), and
- transfer foreign superannuation into an Australian superannuation account.

### Spouse contributions up to age 74

*Date of effect: 1 July 2020*

The age limit for spouse contributions will increase to 74. Currently spouse contribution can only be made if the receiving spouse is under age 70. Additional flexibility will be provided by the removal of the work test for those aged 65 and 66.

This would enable spouse contributions to be made for the receiving spouse without the need to satisfy the work test up to age 66. From age 67 to 74, the work test would need to be satisfied by the receiving spouse.

Making spouse contributions is a simple strategy that enables that spouse's superannuation to be boosted. This may be used as a means of equalising the superannuation interests of both members of the couple. It may also entitle the contributing spouse access to the spouse contribution tax offset.

There is no change to other criteria, such as the total superannuation balance, which will limit the ability to make non-concessional contributions.

### Insurance in superannuation

*Date of effect: 1 October 2019*

Part of the Government's Protecting Super Package included the provision of insurance in superannuation on an opt-in basis for accounts with balances of less than \$6,000 and for members under age 25. The original start date for this was 1 July 2019, however it has been deferred until 1 October 2019.

## Social Security

### One-off energy payment

*Date of effect: From June 2019*

A one-off payment of \$75 for singles and \$62.50 for each eligible member of a couple will be made to assist with the cost of energy bills. To be eligible, an individual must be a resident in Australia and be eligible for a qualifying payment on 2 April 2019.

Qualifying payments are:

- Age Pension
- Disability Support Pension
- Carer Payment
- Parenting Payment (Single)
- Veterans' Service Pension
- Veterans' Income Support Supplement
- Veterans' Disability Payments
- War Widow(er)s Pension, and
- Certain permanent impairment payments.

The payment will be tax free and not counted as income for social security purposes.

Note: This was originally announced in a media release on 31 March 2019.

### Partner Service Pension – eligibility alignment

*Date of effect: 1 July 2019*

Former spouses and former de-facto partners of veterans will be able to access the Partner Service Pension when they separate from their veteran partner.

## Aged Care

### Additional residential care places

The Government proposes additional funding for residential aged care by adding 13,500 residential care places.

### Release of additional home care packages

The Government will provide funding from 2018-19 over five years for the release of an additional 10,000 home care packages across the four package levels. This would bring the total of additional home care packages introduced since 2017-18 to 40,000.

### Increase to the dementia and veterans' home care supplements

The Government proposes an increase to the dementia and veterans' home care supplements from 2018-19 over five years. This measure aims to assist eligible home care recipients who require additional care to stay in their home longer.

The veterans' home care supplement provides additional funding for veterans with a mental health condition accepted by the Department of Veterans' Affairs (DVA) as related to their service.

The dementia and cognition supplement provides additional funding to acknowledge the extra costs of caring for people with cognitive impairment associated with dementia and other conditions.

### Commonwealth Home Support Programme

The Government will extend funding for the Commonwealth Home support Programme (CHSP). The CHSP is entry level support services and personal care at home. The CHSP can include services such as meals, nursing care, home maintenance, home modifications, aids and equipment (e.g. mobility aids) and/or community transport to assist older people to keep living independently in their own home

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