

FEDERAL BUDGET WRAP 2018/19

Good News & Bad News



- A seven year personal income tax 'plan' which, if kept intact by future governments, will reduce tax payable by individuals
- The planned Medicare increase from 2 to 2.5% on 1 July 2019 will not go ahead
- The \$20,000 immediate deductibility threshold for SBE taxpayers will be extended by another year (to 30 June 2019)



- Deductions for expenses associated with holding vacant land will be denied from 1 July 2019
- Minors who receive income from testamentary trusts will be concessional tax, from 1 July 2019, only on income derived from deceased estate assets
- UPEs will be brought in line with actual loans for Div 7A purposes from 1 July 2019 - that is, they must be made into a complying loan or taxed as a dividend

Key Announcements

LAND HOLDERS

From 1 July 2019 you will no longer be able to claim deductions associated with holding vacant land (commercial or residential, but not farmland or land otherwise used in business).

SMALL BUSINESS OWNERS

You will be able to continue to immediately deduct purchases of eligible assets costing less than \$20,000 through to 30 June 2019 (initially planned to cease on 30 June 2018), after which time the immediate deductibility threshold will revert back to \$1,000.

INDIVIDUAL TAX PAYERS

Subject to the whims of future governments you will pay less tax, with the temporary introduction of a new Low and Middle Income Tax Offset for 2018-19 through to 2021-22 (available in addition to the existing LITO), a staged increase in the top threshold of the 32.5% bracket (ultimately to \$120,000 from 1 July 2022), and culminating in the removal entirely of the 37% bracket in 2024.

TESTAMENTARY TRUSTS

From 1 July 2019 the concessional tax rates available for minors receiving income from a testamentary trust will be limited to income derived from assets that are transferred from the deceased estate or the proceeds of the disposal or investment of those assets, but not to income from assets acquired by the trust from other sources.

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FAMOUS PEOPLE

Sportspeople, actors and other high profile individuals will no longer be able to take advantage of lower tax rates from 1 July 2019 by licensing their fame or image to another entity.

SMSFs

The maximum number of allowable members will increase from four to six, from 1 July 2019.

MEDICARE

Taxpayers will not be hit with the previously planned increase in the Medicare levy from 1 July 2019 (intended to be from 2 to 2.5%).

PARTNERS

Partners in professional partnerships can no longer (from Budget night) get access to the small business CGT concessions when assigning the right to future income of the partnership to another entity (often referred to as an Everett Assignment).

COMPANY UPEs

From 1 July 2019 unpaid present entitlements will come within the scope of Division 7A - they will be required to be repaid by the trust to the private company over time as a complying loan or subject to tax as a dividend.

RECENT RETIREES

From 1 July 2019 retirees aged 65 to 74 with a superannuation balance below \$300,000 will be exempt from the work test for voluntary contributions, in the first year they do not meet its requirements.

R&D

Significant changes to the R&D tax incentive will be made from 1 July 2018 to 'enhance the integrity, enforcement and transparency of the concession'.

CONTRACTORS

The taxable payments reporting system (which requires affected businesses to report contractor payments to the ATO) will be extended to security providers and investigation services; road freight transport; and computer system design and related services from 1 July 2019.

MULTIPLE JOBS

To prevent inadvertent concessional cap breaches, from 1 July 2018, employees with income over \$263,157 and multiple jobs will be able to nominate that certain employers not make superannuation guarantee contributions on their behalf.