

# 2018 Federal Budget

## 2018 Budget & Year End Changes coming into effect

### For Individuals

From 1 July 2018, an increase in the Medicare levy low-income thresholds for singles to \$21,980, for families to \$37,089, for single seniors and pensioners to \$34,758 and for family seniors and pensioners to \$48,385.

### For Businesses

For small business the government will extend the \$20,000 immediate asset write-off to 30 June 2019.

From 1 July 2018, Single Touch Payroll (STP) becomes mandatory for businesses with 20 or more employees. This requires these employers to send all payroll and super information to the ATO with every pay run.

From 1 July 2018, the “Contractor Payment Reporting System” is being extended to include businesses that supply courier or cleaning services. Businesses in these industries will need to report payments made to contractors if the payments are for courier or cleaning services. Businesses will need to ensure that they collect information from 1 July 2018, with the first annual report required in August 2019.

## Further down the track

### For Individuals

The Medicare levy will not increase as announced in the 2017 budget – It will remain at 2% from 1 July 2019.

From 1 July 2019, the government will introduce a seven-year, three step, personal income tax plan. This includes:

- a new “Low and Middle Income Tax Offset” of up to \$530 per year for the 2018/19 to 2021/22 financial years; (this is in addition to the current “Low Income Tax Offset” of \$445 which has been in effect since 1 July 2012)
- from 1 July 2018, the 32.5% individual income tax bracket upper limit will increase from \$87,000 to \$90,000
- from 1 July 2022, the 19% individual income tax bracket upper limit will increase from \$37,000 to \$41,000
- from 1 July 2022, the 32.5% individual income tax bracket upper limit will further increase from \$90,000 to \$120,000
- from 1 July 2022, a proposed increase to the Low Income Tax Offset from \$445 to \$645
- from 1 July 2024, removal of the 37% individual income tax bracket by increasing the upper limit of the 32.5% tax bracket from \$120,000 to \$200,000. This would mean that income from \$41,001 to \$200,000 would have a tax rate of 32.5%, and any income over \$200,000 will have the marginal tax rate of 45%

### For Businesses

From 1 July 2019 the introduction of a limit of \$10,000 for cash payments for goods and services. Payments above the \$10,000 threshold will have to be made through the banking system.

From 1 July 2019, businesses will no longer be able to claim a tax deduction for payments made to employees and contractors where they have not withheld any PAYG from these payments

From 1 July 2019, Single Touch Payroll (STP) becomes mandatory for all businesses regardless of how many employees they have.

From 1 July 2019, the “Contractor Payment Reporting System” is being further extended to include businesses in the industries of “security providers and investigation services”, “road freight transport”

and “computer system design and related services”. Businesses will need to ensure that they collect information from 1 July 2019, with the first annual report required in August 2020.

From 1 July 2019, deductions for expenses associated with the holding of vacant residential or commercial land will be denied. Denied deductions will not be able to be carried forward to later income years, however can be included in the cost base of the land if the expense qualifies as an element of cost base under the usual rules.

### **For Superannuation Funds**

From 1 July 2019:

- the introduction of an exemption from the work test for voluntary contributions for people aged 65-74 with superannuation balances below \$300,000
- an increase in the maximum number of allowable members in new and existing SMSF's from 4 to 6
- the government will change the annual audit requirement to a three-yearly requirement for SMSF's with a history of good record-keeping and compliance
- the government will introduce a 3% annual cap on administration and investment fees charged by super funds on accounts with balances below \$6,000
- the government will change the insurance arrangements for certain superannuation members from a default framework to an opt-in basis. This will affect members with low balances (less than \$6,000), members under the age of 25 and, members whose accounts have not received a contribution in 13 months and are inactive
- the introduction of a ban on all exit fees on super funds

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