

Challenger Federal Budget Report 2019-20

What it means for you

Relaxing super rules for some over 65s and helping ease some cost of living pressures are just some of the key focuses of the Government's 2019-20 Budget, released by Treasurer Josh Frydenberg on Tuesday 2 April 2019.

This year's Budget was particularly interesting in that it sets out the Government's agenda as it heads to an imminent election.

There's plenty in the Budget for anyone who's retired (or planning retirement) to consider. We've put together this report to make sure you don't miss any of the essential information.

It's worth noting that these proposed measures aren't law yet – and could change.

Summary

Superannuation

- From 1 July 2020, if you're aged 65 or 66 then:
 - You'll be able to make voluntary super contributions without meeting the work test; and
 - You can make three years' worth of non-concessional contributions (currently capped at \$100,000 a year) in just one year.
- From 1 July 2020 there will be an increase to the age limit for spouse contributions from 69 to 74.

Tax

- There will be increases to the Low and Middle Income Tax Offset for this, and the next three financial years.
- From 1 July 2024, there will be a **reduction in the 32.5% marginal tax rate to 30%**.

Aged care

- A record **\$21.6bn** has been allocated towards providing higher quality aged care.

Other

- For 3.9 million Australians, a one-off, income tax exempt payment of **\$75 (for singles) or \$125 (for couples)** to help with the next power bill.

Superannuation

Super changes to help improve flexibility for older Australians

The Government has announced it will allow voluntary superannuation contributions (both concessional and non-concessional) to be made by those aged 65 and 66 without meeting the work test from 1 July 2020.

People aged 65 and 66 will also be able to make up to three years of non-concessional contributions under the existing bring-forward rule.

Currently, people aged 65 to 74 can only make voluntary superannuation contributions if they meet the work test which requires working a minimum of 40 hours over a 30 day period in the relevant financial year, and those aged 65 and over currently cannot access bring-forward arrangements.

The Government has also announced that people up to and including age 74 will be able to receive spouse contributions, with those aged 65 and 66 no longer needing to meet a work test. Currently those aged 70 and over cannot receive spouse contributions.

Aligning the work test with the eligibility age for the Age Pension (scheduled to reach 67 from 1 July 2023) and increasing the age limit for spouse contributions to 74 will give older Australians greater flexibility to save for retirement.

Non-concessional contributions

Also known as 'after-tax' contributions, are contributions to your super that have already been taxed at your normal tax rate, such as from your take home pay or savings.

Spouse contributions

You can contribute to your spouse's super and may receive a tax offset if your spouse meets the requirements outlined by the Australian Tax Office.

Taxation

Increase to the Low and Middle Income Tax Offset

The Government will increase the non-refundable Low and Middle Income Tax Offset (LMITO) for the 2018-19, 2019-20, 2020-21 and 2021-22 financial years. As illustrated in the following table the maximum offset will increase from \$530 to \$1,080 per annum and the base amount will increase from \$200 to \$255 per annum.

Taxable income	Tax offset
Nil to \$37,000	Up to \$255
\$37,001 - \$47,999	\$255 + [(taxable income - \$37,000) x 7.5 cents]
\$48,000 - \$89,999	\$1,080
\$90,000 - \$126,000	\$1,080 - [(taxable income - \$90,000) x 3 cents]
\$126,000+	Nil

The LMITO will be received as a lump sum on assessment after the individual lodges their tax return from 1 July 2019. The LMITO will be removed from 1 July 2022.

Changes to the Low Income Tax Offset from 1 July 2022

The Government will increase the maximum Low Income Tax Offset (LITO) from \$645 to \$700 per annum from 1 July 2022. As illustrated in the following table the increased LITO will reduce for taxable income above \$37,500 per annum and will cut out for taxable income above \$66,667 per annum.

Taxable income	Tax offset
Nil to \$37,500	Up to \$700
\$37,500 - \$45,000	\$700 – [(taxable income - \$37,500) x 5 cents]
\$45,001 - \$66,667	\$325 – [(taxable income - \$45,000) x 1.5 cents]
\$66,667+	Nil

The LITO was previously legislated to be withdrawn at a rate of 6.5 cents per dollar between taxable income of \$37,000 and \$41,000 per annum and then withdrawn at a rate of 1.5 cents per dollar between taxable income of \$41,000 and \$66,667 per annum from 1 July 2022.

Increase the top threshold of the 19% personal income tax bracket from 1 July 2022

The Government will increase the top threshold of the 19% personal income tax bracket from \$41,000 to \$45,000 per annum from 1 July 2022.

The increase to the top threshold of the 19% personal income tax bracket and the changes to the LITO from 1 July 2022 will lock in the reduction in tax provided by the LMITO when the LMITO is removed from 1 July 2022.

Increase to Medicare Levy low-income thresholds

The 2018-19 financial year Medicare Levy low-income thresholds will be indexed for individuals and families. The threshold for singles will increase to \$22,398 per annum and, for families with no children, increase to \$37,794 per annum.

For individuals and couples who are eligible for the Seniors and Pensioners Tax Offset (SAPTO), the thresholds will increase to \$35,418 per annum and \$49,304 per annum respectively. The additional threshold amount for each dependant child or student will increase to \$3,471 per annum.

	2018-19	2017-18
Single	\$22,398	\$21,980
Single eligible for SAPTO	\$35,418	\$34,758
Family	\$37,794	\$37,089
Couple eligible for SAPTO	\$49,304	\$48,385
Additional threshold for each dependent child	\$3,471	\$3,406

Reducing the 32.5% marginal tax rate from 1 July 2024

The Government will reduce the 32.5% marginal tax rate to 30% from 1 July 2024. The Government has already legislated to remove the 37% personal income tax bracket from 1 July 2024.

2024-25 marginal tax rate	2024-25 tax bracket
Nil	Up to \$18,200
19%	\$18,201 - \$45,000
30%	\$45,001- \$200,000
45%	\$200,000+

With these changes, by 2024-25 around 94% of Australian taxpayers are projected to face a marginal tax rate of 30% or less.

Increasing and expanding the instant asset write-off

The Government will increase the instant asset write-off threshold from \$25,000 to \$30,000 and expand the instant asset write-off to medium sized businesses with aggregated turnover of less than \$50 million from 7:30pm on 2 April 2019 (Budget night).

Small businesses (with aggregated turnover of less than \$10 million) and medium sized businesses (with aggregated turnover of \$10 million or more, but less than \$50 million) will be able to immediately deduct purchases of eligible assets costing less than \$30,000 that are first used or installed ready for use from Budget night to 30 June 2020. Medium sized businesses must also acquire these assets after Budget night to be eligible.

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.

Home care package

A coordinated package of care and services to help you live independently in your own home for as long as you can.

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.

Better quality of care

The Government will also:

- Strengthen aged care regulation through the establishment of a risk-based compliance and information sharing system in the Aged Care Quality and Safety Commission.
- Introduce mandatory reporting against national residential care quality indicators for pressure sores, use of physical restraint, weight loss, falls and fractures, and medication management.
- Develop an end-to-end compliance framework for the Home Care program, including the increased auditing and monitoring of home care providers.
- Commence the implementation of an enhanced home care compliance framework to improve the quality and safety of home care services and enhance the integrity of the home care system.
- Address the use of chemical restraints and the inappropriate use of antibiotics in residential aged care facilities.
- Provide additional support for the implementation of the Aged Care Workforce Strategy.
- Undertake preparatory work for the introduction of a new Serious Incident Response Scheme from July 2022, which will require residential care providers to report a broader range of incidents occurring in their facilities.

Other

Energy assistance payment

The Government has announced a one off, income tax exempt payment of \$75 for singles and \$125 for couples who were on a qualifying payment on 2 April 2019. The payment is to help assist with their next power bill and cost of living expenses.

Qualifying payments include:

- Age Pension/Service Pension,
- Carer Payment,
- Disability Support Pension,
- Parenting Payment Single, and
- DVA War Widow(er)s Pension, Income Support Supplement, and disability payments.

Want to know more about these or other measures announced in this year's Federal Budget?

Get in touch with your financial adviser – they'll be happy to talk everything through with you. Or contact our friendly Challenger team (details below).

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