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PLEASE NOTE:

None of the items contained within the Budget will become law until the budget is passed by the House of Representatives and the Senate, and signed by the Executive Council. With a federal election likely next month, should a change in Government occur then many of these items may never come into effect.

Federal Budget summary 2019–20

Measures and start dates at a glance

| Budget measure | Start date |
|--|--|
| Individuals | |
| Extending Family Tax Benefit to ABSTUDY recipients aged 16 and over who study away from home | 2018-19 |
| Increasing the Medicare levy low-income thresholds | From the 2018–19 income year |
| Building on the Personal Income Tax Plan | 1 July 2022 1 July 2024 |
| Deductions | |
| Increasing and expanding access to the instant asset write-off | Application: From 7.30pm (AEDT) on 2 April 2019 until 30 June 2020 |
| Philanthropy - Extending deductible gift recipient status to Men's Sheds and Women's Sheds | 1 July 2020 |
| Small business | |
| North Queensland Flood Recovery Package - Tax treatment of qualifying grants | Qualifying grants made on or after 25 January 2019 |
| Queensland storms - Tax treatment of payments to primary producers | Eligible payments made from October 2018 |
| Companies | |
| Delayed start date to allow further consultation on Division 7A amendments | 1 July 2020 |
| Tax exempt entities | |
| Philanthropy - updates to the list of specifically listed deductible gift recipients | 1 July 2019 |

| Budget measure | Start date |
|---|--|
| International | |
| Clarifying the operation of the hybrid mismatch rules | Income years starting on or after: 1 January 2019 — for amendments 2 April 2019 — for integrity rule |
| International Tax - updating the list of information exchange countries | Effective from 1 January 2020 |
| International Tax - signing the Australia-Israel Tax Treaty | Yet to be announced |
| Superannuation | |
| Permanent relief for merging superannuation funds | From 1 July 2020 |
| Protecting Your Super Package - amendment | Generally, from 1 July 2019 |
| Protecting Your Super Package - Putting members' interests first | From 1 October 2019 |
| Reducing costs by including release authorities in SuperStream Rollover Standard | 31 March 2021 |
| Superannuation - Improving flexibility for older Australians | 1 July 2020 |
| Superannuation - Reducing red tape for superannuation funds | 1 July 2020 |
| Compliance | |
| Black Economy - Strengthening the Australian Business Number System | 1 July 2021 — income tax lodgment 1 July 2022 — annual confirmation |
| More funding for the ATO Tax Avoidance Taskforce | Funding over four years from 2019–20 |
| Addressing sham contracting | From 2019–20 |
| Tax Integrity - Increasing engagement and on-time payment of tax and superannuation liabilities | Not specified |

| Budget measure | Start date |
|--|---|
| Other taxes | |
| Indirect Tax Concession Scheme - Diplomatic, consular and international organisation concessions | A time specified by the Minister for Foreign Affairs |
| Luxury car tax - Increased refunds for eligible primary producers and tourism operators | Vehicles acquired on or after 1 July 2019 |
| Related Laws | |
| Social Security one-off energy assistance payment | Applicable to residents in Australia who are eligible for qualifying payments on 2 April 2019 |
| Single Touch Payroll | |
| Single Touch Payroll expansion | 1 July 2020 |

Budget Measures

Individuals

► 2019-20 Federal Budget - Building on the Personal Income Tax Plan

| KEY POINTS | |
|------------|--|
| ■ | The Government has announced that it will introduce amendments to build on its legislated seven-year Personal Income Tax Plan. |
| ■ | The proposed changes consist of: <ul style="list-style-type: none"> ■ amendments to the low and middle income tax offset (LMITO) , which will increase the amount of the relief available to eligible individuals in the 2018–19 to 2021–22 income years; ■ an increase in the top threshold of the 19 per cent tax rate from \$41,000 to \$45,000 from 1 July 2022; ■ an increase in the low income tax offset from \$645 to \$700 from 1 July 2022; and ■ a reduction of the 32.5 per cent marginal tax rate to 30 per cent from 1 July 2024. |

Immediate relief to low- and middle-income earners — amending the LMITO

The proposed amendments will provide a further reduction in tax through the non-refundable LMITO from the 2018–19 to 2021–22 income years by:

| APPLICATION DATE |
|---------------------------------|
| 2018–19 to 2021–22 income years |

- increasing the maximum amount of the offset from \$530 to \$1,080 per annum;
- increasing the base amount of the offset from \$200 to \$255 per annum; and
- increasing the eligibility threshold from \$125,333 to \$126,000.

The proposed and legislated offset amounts are set out in the following table:

| Relevant income ⁵⁸ for the 2018–19 to 2021–22 income years | | Legislated LMITO amount | Proposed LMITO amount |
|---|-----------|--|--|
| \$37,000 or less | | \$200 | up to \$255 |
| \$37,001 to \$48,000 | | \$200, plus three per cent of the amount of relevant income exceeding \$37,000 (to a maximum benefit of \$530) | \$255, plus 7.5 per cent of the amount of relevant income exceeding \$37,000 (to a maximum benefit of \$1,080) |
| \$48,001 to \$90,000 | | \$530 (maximum) ⁵⁹ | \$1,080 (maximum) |
| \$90,001 to | \$125,333 | \$530, less 1.5 per cent of the amount of relevant income exceeding \$90,000 | |
| | \$126,000 | | \$1,080, less three per cent of the amount of relevant income exceeding \$90,000 |

Locking in the benefits of lower taxes — increasing the 19 per cent tax rate threshold and the LITO

From 1 July 2022:

- the top threshold of the 19 per cent personal income tax bracket will increase from \$41,000 to \$45,000; and
- the LITO will increase from \$645 to \$700, with corresponding changes to withdrawal rates.

| START DATE |
|-------------|
| 1 July 2022 |

Further structural changes to the personal income tax system — reducing the 32.5 per cent marginal tax rate

From 1 July 2024, the Government will reduce the 32.5 per cent marginal tax rate to **30 per cent**.

START DATE

1 July 2024



Note

The legislated Personal Income Tax Plan will abolish the 37 per cent tax bracket in the 2024–25 income year. These two structural changes will result in around 94 per cent of taxpayers (projected) facing a marginal tax rate of 30 per cent or less.

Deductions

► 2019-20 Federal Budget - Increasing and expanding access to the instant asset write-off

| KEY POINTS | |
|--|--|
| <ul style="list-style-type: none"> ■ The Government has announced that it will: <ul style="list-style-type: none"> ■ increase the instant asset write-off threshold from \$25,000 to \$30,000; and ■ expand the instant asset write-off to make it available to medium-sized businesses (aggregated annual turnover of \$10 million or more, but less than \$50 million), in addition to small business entities (SBEs). ■ Assets eligible for the immediate write off assets must cost less than \$30,000 and be: <ul style="list-style-type: none"> ■ for SBEs — first used, or installed ready for use, from 7.30pm (AEDT) on 2 April 2019 until 30 June 2020; ■ for medium sized businesses — acquired and first used, or installed ready for use, from 7.30pm (AEDT) on 2 April 2019 until 30 June 2020. ■ The Government will still proceed with its previously announced measure to allow SBEs an instant asset write-off for eligible assets costing less than \$25,000 (increased from the current threshold of \$20,000) that are first used or installed ready for use from 29 January 2019 until 7.30pm (AEDT) on 2 April 2019. | |

Summary of relevant dates for instant asset write-off

| Dates first used, or installed ready for use | Instant asset write-off threshold | Eligible taxpayers |
|--|-----------------------------------|--|
| From 7.30pm (AEST) on 12 May 2015 to 28 January 2019 | \$20,000 | Small business entities (originally aggregated turnover less than \$2 million but this was increased to less than \$10 million from 1 July 2016) |
| From 29 January 2019 until 7.30pm (AEST) on 2 April 2019 | \$25,000 | Small business entities (aggregated turnover less than \$10 million) |
| From 7.30pm (AEST) on 2 April 2019 to 30 June 2020 | \$30,000 | All business with an aggregated turnover less than \$50 million |
| From 1 July 2020 | \$1,000 | Small business entities (aggregated turnover less than \$10 million) ⁶³ |

International

► **2019-20 Federal Budget - International Tax - updating the list of information exchange countries**

KEY POINTS

- The Government has announced that the list of countries whose residents are eligible to access a reduced withholding tax rate of 15 per cent on certain distributions from Australian Managed Investment Trusts due to entering into effective information sharing agreements will be updated to include a further eight countries.

As part of the 2019–20 Federal Budget, the Government announced that it will update the list of countries whose residents are eligible to access a reduced withholding tax rate of 15 per cent, instead of the default rate of 30 per cent, on certain distributions from Australian Managed Investment Trusts (MITs).

START DATE

Effective from 1 January 2020

To be on this list, a country must have established the legal relationship enabling them to share taxpayer information with Australia.

The list will be updated to include the following countries:

- Curaçao;
- Lebanon;
- Nauru;
- Pakistan;
- Panama;
- Peru;
- Qatar; and
- the United Arab Emirates

This will increase the number of countries on the list from 114 to 122.

Superannuation

► **2019-20 Federal Budget - Permanent relief for merging superannuation funds**

KEY POINTS

- The Government has announced that it will make the current tax relief for merging superannuation funds permanent from 1 July 2020.

As part of the 2019–20 Federal Budget, the Government has announced that it will make the current tax relief for merging superannuation funds permanent from 1 July 2020.

START DATE

From 1 July 2020

► **2019-20 Federal Budget - Protecting Your Super Package - Putting members' interests first**

KEY POINTS

- The Government has announced a delay to the start date — for ensuring insurance within superannuation is only offered on an opt-in basis for accounts with balances of less than \$6,000 and for new accounts belonging to members under the age of 25 years — to 1 October 2019.
- The amended start date is contained in the *Treasury Laws Amendment (Putting Members' Interests First) Bill 2019*, which was introduced into Parliament on 20 February 2019.

► **2019-20 Federal Budget - Reducing costs by including release authorities in SuperStream Rollover Standard**

| KEY POINTS |
|--|
| <ul style="list-style-type: none"> ▪ The Government has announced that it will provide \$19.3 million over three years from 2020–21 to the ATO to expand the electronic SuperStream Rollover Standard to include release authorities from 31 March 2021. ▪ The start date of SMSF rollovers in SuperStream will be delayed until 31 March 2021 to coincide with this expansion of the Rollover Standard. |

► **2019-20 Federal Budget - Superannuation - Improving flexibility for older Australians**

| KEY POINTS |
|--|
| <ul style="list-style-type: none"> ▪ The Government has announced that, from 1 July 2020, it will allow voluntary superannuation contributions to be made by individuals aged 65 and 66 without having to meet the work test. ▪ Individuals aged 65 and 66 will also be able to make up to three years of non-concessional contributions under the bring-forward rule. ▪ Individuals up to and including age 74 will be able to receive spouse contributions. |

► **2019-20 Federal Budget - Superannuation - Reducing red tape for superannuation funds**

| KEY POINTS |
|---|
| <ul style="list-style-type: none"> ▪ The Government has announced that, from 1 July 2020, superannuation fund trustees with interests in both the accumulation and retirement phases during an income year will be able to choose their preferred method of calculating exempt current pension income (ECPI). ▪ The Government will also remove the requirement for superannuation funds to obtain an actuarial certificate when calculating ECPI using the proportionate method, where all members of the fund are fully in the retirement phase for all of the income year. |

As part of the 2019–20 Federal Budget, the Government announced that it will allow superannuation fund trustees with interests in both the accumulation and retirement phases during an income year to choose their preferred method of calculating exempt current pension income (ECPI).

| |
|-------------------|
| START DATE |
| 1 July 2020 |

The Government will also remove a redundant requirement for superannuation funds to obtain an actuarial certificate when calculating ECPI using the proportionate method, where all members of the fund are fully in the retirement phase for all of the income year.

Compliance

► **2019-20 Federal Budget - Black Economy - Strengthening the Australian Business Number System**

| KEY POINTS |
|---|
| <ul style="list-style-type: none"> ▪ The Government has announced that it will strengthen the Australian Business Number (ABN) system to disrupt Black Economy behaviour by: <ul style="list-style-type: none"> ▪ from 1 July 2021 — requiring ABN holders, with an income tax return obligation, to lodge their income tax return; and ▪ from 1 July 2022 — requiring ABN holders to confirm the accuracy of their details on the Australian Business Register annually. |

► **2019-20 Federal Budget - More funding for the ATO Tax Avoidance Taskforce**

| KEY POINTS |
|--|
| <ul style="list-style-type: none"> ▪ The Government has announced funding of \$1 billion over four years from 2019–20 to extend the operation of the ATO Tax Avoidance Taskforce to: <ul style="list-style-type: none"> ▪ expand its programs and market coverage; and ▪ increase its scrutiny of specialist tax advisers and intermediaries that promote tax avoidance schemes and strategies. ▪ This measure is expected to have a gain to the Budget of \$3.6 billion. |

► **2019-20 Federal Budget - Addressing sham contracting**

| KEY POINTS |
|---|
| <ul style="list-style-type: none"> ▪ The Government has announced that it will establish a sham contracting unit — within the Fair Work Ombudsman — to address sham contracting behaviour engaged in by some employers. ▪ The new unit will focus on employers who knowingly or recklessly misrepresent employment relationships as independent contracts to avoid statutory obligations and employment entitlements. |

► **2019-20 Federal Budget - Tax Integrity - Increasing engagement and on-time payment of tax and superannuation liabilities**

| KEY POINTS |
|---|
| <ul style="list-style-type: none"> ▪ The Government has announced that it will provide \$42.1 million over four years to the ATO to increase activities in recovering unpaid tax and superannuation liabilities. ▪ The focus of these activities will be on larger businesses and high wealth individuals and not small businesses. |

Other Taxes

► **2019-20 Federal Budget - Luxury car tax - Increased refunds for eligible primary producers and tourism operators**

| KEY POINTS |
|--|
| <ul style="list-style-type: none"> ▪ The Government has announced that it will increase refunds of luxury car tax (LCT) to farmers and tourism operators. ▪ For vehicles acquired on or after 1 July 2019, eligible primary producers and tourism operators will be able to apply for a refund of any LCT paid, up to a maximum of \$10,000. |

Background

Currently, primary producers and tourism operators may be eligible for a partial refund of luxury car tax (LCT) paid on eligible four-wheel drive or all-wheel drive cars, up to a maximum refund of \$3,000.

Announcement

As part of the 2019–20 Federal Budget, the Government announced that — for vehicles acquired on or after 1 July 2019 — eligible primary producers and tourism operators will be able to apply for a refund of any LCT paid, up to a maximum of **\$10,000**.

START DATE

Vehicles acquired on or after 1 July 2019

Related Laws

► 2019-20 Federal Budget - Social Security one-off energy assistance payment

| KEY POINTS | |
|------------|---|
| ▪ | Recipients who are eligible for qualifying payments on 2 April 2019 and who are resident in Australia will receive a one off energy assistance payment of: |
| ▪ | \$75 for singles |
| ▪ | \$125 for couples (\$62.50 per member of a couple) |
| ▪ | Qualifying Payments include: |
| ▪ | Age Pension, Carer Payment, Disability Support Pension, Parenting Support Supplement, Veterans' disability payments, War Widow(er)s Pension, and permanent impairment payments under the <i>Military and Compensation Act 2004</i> and the <i>Safety Rehabilitation and Compensation Act 1988</i> . |

Single Touch Payroll

► 2019-20 Federal Budget - Single Touch Payroll expansion

| KEY POINTS | |
|------------|---|
| ▪ | The Government has announced that it will automate reporting of employment income for social security purposes through STP. |
| ▪ | STP data sharing arrangements with the Department of Human Services will reduce risks of overpayment of income support benefits for recipients with employers using STP. |
| ▪ | More funding will be provided to the ATO and the Department of Veterans' Affairs to enable greater use of data collected through STP to be shared with Commonwealth Agencies. |

As part of the 2019–20 Federal Budget, the Government announced that it will automate the reporting of employment income for social security purposes through Single Touch Payroll (STP).

START DATE

1 July 2020

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