

NEWSLETTER – BUDGET EDITION

News from Complete Financial Planning

- We welcome our newest staff member to our team – Lisa Ball. Lisa has been in the industry for over 15 years and used to be a Financial Planner. She has recently entered the work force after having her first child and will be working with us 3 days per week in administration as well as paraplanning.
- Just a reminder the office will be contacting you before your review is due to get updated information either by email or phone. If you are able to get this information back to us as soon as possible, it will help us in preparing your review documents in a timely manner.
- For those who had not heard - Kelli is working remotely from Collie; her work mobile number is 0447 337 122.
- Don't forget the office is shut on a Friday, as Kathy and Emma work from home these days – they can be contacted on their mobiles, 0413 348 472 and 0488 198 200 respectively.

Federal Budget 2019: What you need to know



Tax changes

Immediate tax cuts for low-to-middle income earners

The Low and Middle Income Tax Offset (LMITO) was introduced in last year's Budget as an addition to the Low Income Tax Offset (LITO). The LMITO will increase for individuals and families, starting from the current financial year, with eligible low-to-middle income earners receiving a payment after submitting their tax return.

The base rate for the LMITO will increase from \$200 to \$255 and the maximum payment will increase from \$530 to \$1,080.

From 1 July 2022, both offsets will be replaced by a single low-income tax offset.

What this could mean for you

If you are eligible to receive the Low and Middle Income Tax Offset, you can expect to receive a payment amount after you submit your next tax return.

For more information about the proposed changes to tax offsets, speak to your accountant or financial adviser.

Extension to personal income tax cuts

Over the next five years, many Australians will receive a decrease to their income tax rate in one of three ways:

- 1 The upper threshold for the 19% marginal tax rate will increase from \$37,000 to \$45,000.
- 2 The 32.5% marginal tax rate will reduce to 30%.
- 3 The 37% marginal tax rate will be abolished (this change has already been legislated).

These changes will be progressively rolled out between now and 1 July 2024, as shown in the table below.

What this could mean for you

These measures are intended to ease the cost of living by reducing the income tax rate for many Australians, to varying degrees. The Government estimates that 94% of tax-paying Australians will pay 30% tax or less from 1 July 2024.

For more information about the proposed changes to tax thresholds, speak to your accountant or financial adviser.

| Tax rates | To 30 June 2022 | 1 July 2022 to 30 June 2024 | 1 July 2024 onwards |
|------------------------------|----------------------|-----------------------------|----------------------|
| Nil | Up to \$18,200 | Up to \$18,200 | Up to \$18,200 |
| 19% | \$18,201 – \$37,000 | \$18,201 – \$45,000 | \$18,201 – \$45,000 |
| 32.5% (30% from 1 July 2024) | \$37,001 – \$90,000 | \$45,001 – \$120,000 | \$45,001 – \$200,000 |
| 37% | \$90,001 – \$180,000 | \$120,001 – \$180,000 | N/A |
| 45% | Above \$180,000 | Above \$180,000 | Above \$200,000 |

Increasing the Medicare Levy low-income threshold

The Government will increase the Medicare Levy low-income thresholds for singles, families, and seniors and pensioners from the 2018-19 income year.

What this could mean for you

You won't be charged the Medicare Levy if your taxable income is below the following thresholds:

| Tax rates | 2017-18 | 2018-19 |
|--|----------|----------|
| TAXPAYERS ENTITLED TO SENIORS AND PENSIONERS TAX OFFSET | | |
| Individual | \$34,758 | \$35,418 |
| Married or sole parent | \$48,385 | \$49,304 |
| For each dependent child or student, add: | \$3,406 | \$3,471 |
| ALL OTHER TAXPAYERS | | |
| Individual | \$21,980 | \$22,398 |
| Couple/sole parent (family income) | \$37,089 | \$37,794 |



Superannuation adjustments

No work test for voluntary contributions by people aged up to 66

The Government will update the superannuation contribution rules to allow people aged 65 and 66 to make voluntary contributions to superannuation without meeting the work test. Voluntary contributions include after-tax (non-concessional) contributions, tax-deductible (concessional) contributions, voluntary employer contributions and spouse contributions.

What this could mean for you

If you are aged 65–74, current rules only allow you to make voluntary superannuation contributions if you have been gainfully employed for 40 hours over 30 consecutive days during the financial year or qualify for a new work test exemption taking effect from 1 July this year. With the Age Pension age scheduled to increase to 67 from 1 July 2023, this change effectively allows individuals to continue making voluntary super contributions until Age Pension age, whether they are still working or not.

Bring-forward rule extended to people up to 66

The Government will update the superannuation contribution rules to allow people aged under 67 to make three years' worth of after-tax (non-concessional) contributions in a single year. Under current contribution caps, that would enable under-67-year-olds to contribute up to \$300,000 in one year.

What this could mean for you

Currently, you must be under 65 during a financial year to use the bring-forward rule. This change enables 66 and 67 year olds to boost their super in preparation for retirement, provided they meet other eligibility criteria. In particular, you can only make non-concessional contributions if your total super balance on 30 June, before the financial year when you make the contribution, is under \$1.6 million.

Spouse contributions extended to people aged up to 74

Under the proposed changes, individuals will be able to contribute to their spouse's superannuation where the receiving spouse is under age 75. In addition, if the receiving spouse is aged 65 or 66, they will no longer need to meet a work test. The work test will continue to apply if the receiving spouse is aged 67 or over.

What this could mean for you

Currently, for you to make a spouse contribution, your spouse must be under age 70 at the time of the contribution, and must meet the work test if they are aged between 65 and 69. This change enables you to make spouse contributions for a further five years, giving you more opportunities to equalise your superannuation balances while potentially claiming a tax offset.

Other measures

Business

- A new \$3.9 billion Emergency Response Fund to help agribusinesses recover from natural disasters.

Education and skills

- \$525.3 million to help modernise the vocational training sector, including funding up to 80,000 new apprenticeships.
- \$93.7 million over four years for scholarships to study in regional Australia.
- \$10 million over four years to help educate Australian children, parents and teachers on cyber-safety.
- Abolition of the \$3.9 billion Education Investment Fund to finance the new Emergency Response Fund.

Health and aged care

- A planned \$5 billion investment over 10 years in the Medical Research Future Fund, including \$614 million for rare cancers and diseases, \$220 million for cardiovascular health, \$605 million for clinical infrastructure and \$150 million for stem cell research.
- \$737 million for mental health over seven years, including \$461 million for youth mental health services.

The environment

- An additional \$2 billion for the Government's Climate Solutions Fund.



Social security, health and aged care

One-off Energy Assistance Payment for social security pension recipients

Social security pension recipients will receive a one-off Energy Assistance Payment to help with increased power bills. The payment will be \$75 for singles and \$125 for couples, and will be exempt from income tax.

What this could mean for you

If you receive an Age Pension, Disability Support Pension, Carer Payment, Parenting Payment Single, or certain payments from the Department of Veterans Affairs, such as the Service Pension or War Widow(er)s Pension, you could be eligible for a one-off payment by the end of the 2020 financial year.

Increased access to diagnostic imaging and higher Medicare rebates

The Government will provide \$309 million to improve access to diagnostic imaging, with \$199 million provided to increase patient rebates for items on the Medicare Benefits Schedule (MBS) from 1 July 2020. Additionally, the Government has allocated \$187 million to increasing patient rebates for 119 General Practitioner service items.

What it could mean for you

For patients, these measures could help to make medical services more accessible and affordable, with fewer out-of-pocket costs. For medical practitioners and imaging providers, they provide an end to the rebate freeze originally introduced in 2013 and extended in 2016.

Funding for 10,000 extra home care packages and 13,500 residential care places

The Government will provide \$724.8 million over five years from 2018-19 to fund improvements in residential and home care services, including a one-off increase to the basic subsidy for residential aged care recipients, 13,500 additional residential aged care places, and 10,000 additional home care packages.

What this could mean for you

These measures continue efforts in recent Budgets to reduce waiting times for both home care packages and residential care places, as well as subsidising the cost of providing residential care. As at 31 December 2018, around 74,000 Australians were in the queue for a home care package, down from more than 100,000 a year before. If you or a family member are in this situation, these measures could help provide more choice and enable you to access services sooner.

Extension of Commonwealth Home Support Program

The Government will provide \$5.9 billion to extend funding for the Commonwealth Home Support Program (CHSP) until 30 June 2022. Funding is currently due to cease on 30 June 2020.

What this could mean for you

The CHSP contributes to essential home support services, including Meals on Wheels, personal care, nursing, domestic help, home maintenance, and community transport. If you or a family member rely on these services to continue living independently, this funding extension will provide further support over the next few years.

Please don't forget...

Our success is a result of referrals from clients and friends like you. We could always use a few more. So, if you have children, family members, friends or colleagues that may need some advice, please pass our details to them.