



## How the Budget may affect wealth builders

This year's Federal Budget is an 'election budget' with future tax cuts for all Australians, especially low and middle income earners. Overall, there were minimal changes to super proposed in the Budget.

We've summarised some of the key points from the Budget below, but remember these are subject to the passing of legislation.

- From 1 July 2022, the upper personal income tax threshold for the 19% tax rate will increase to \$45,000.
- From 1 July 2024, the 32.5% tax rate will reduce to 30%.
- Increase to the tax offset for low and middle income earners.
- A one-off energy assistance payment for people receiving government assistance.



### Personal income tax cuts

The Government proposes the following personal income tax rates.

- From 1 July 2022, the upper threshold for the 19% tax bracket will increase from \$41,000 to \$45,000 and the low income tax offset (LITO) will increase from \$645 to \$700.
- From 1 July 2024, the 32.5% tax rate will reduce to 30%.

### Proposed personal tax rates and thresholds

| Tax rate   | Current threshold    | Threshold from 1 July 2022 | Threshold from 1 July 2024 |
|--|----------------------|----------------------------|----------------------------|
| Nil  | 0 - \$18,200         | 0 - \$18,200               | 0 - \$18,200               |
| 19%  | \$18,201 - \$37,000  | \$18,201 - \$45,000        | \$18,201 - \$45,000        |
| 32.5% (until 30 June 2024)<br>and 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      | -                          |
| 45%  | \$180,000+           | \$180,000+                 | \$200,000+                 |
| Low and middle income tax offset (max)                 | \$1,080              | -                          | -                          |
| Low income tax offset (max)                            | \$445                | \$700                      | \$700                      |

To help you estimate the tax benefits for your level of income refer to the Government's [online calculator](#)

## Low and middle income tax offset

The low and middle income tax offset (LMITO) will increase for the 2018/19 to 2021/22 financial years. After this, LMITO is not available. The maximum LMITO will increase from \$530 to \$1,080.

## Medicare levy low income thresholds

From 1 July 2018, the Medicare levy low income thresholds will be increased to reflect movements in the consumer price index (CPI).



## Social Security

### Energy Assistance Payment

A one-off Energy Assistance Payment of \$75 for singles and \$62.50 for each eligible member of a couple. To be eligible, you must be receiving a qualifying Government payment on 2 April 2019 and be resident in Australia.

Qualifying payments are the Age Pension, Carer Payment, Disability Support Pension, Parenting Payment Single, the Veterans' Service Pension and the Veterans' Income Support supplement, Veterans' disability payments, War Widow(er)'s Pension, and permanent impairment payments under the *Military Rehabilitation and Compensation Act 2004* (including dependent partners) and the *Safety, Rehabilitation and Compensation Act 1988*.

### Partner service pension

Both former spouses and former de-facto partners of veterans will be able to continue to receive the partner service pension after their relationship with their veteran partner has ended, including situations where the relationship has ended because of family or domestic violence.



## Superannuation

### Protecting Your Super Package

In March 2019, the Protecting Your Super Package legislation passed. This means:

- ▶ if you have a super balance of below \$6,000, administration and investment fees will be capped at 3%
- ▶ from 1 July 2019, you will no longer be charged an exit fee
- ▶ if your account has been inactive for 16 consecutive months your insurance cover will cease.

The proposal to ensure insurance is only offered on an opt-in basis for accounts with balances of less than \$6,000 and new accounts belonging to members under the age of 25, did not pass into legislation. The Government will delay the start date for this measure until 1 October 2019.

### Australian Defence Force Superannuation Scheme

The Government will allow Australian Defence Force Superannuation Scheme (ADF Super) members to choose to remain contributory members when they discharge from the Australian Defence Force.

### Government agency funding

The Government will provide additional funding to facilitate the Government's response to the Royal Commission, including additional resources for the Australian Taxation Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

## What's next?

The announcements in the update are proposals unless stated otherwise. These proposals need to be successfully passed through Parliament before becoming law and may be subject to change.

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