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CHARTERED ACCOUNTANTS



“Making Your
Business Count”

Budget Brief 2018: What’s in it for you

It’s May which means it’s Budget time. In the last full Budget before the next Federal election, the Treasurer delivered an election Budget with enough sweeteners for everyone including businesses, income tax relief for individuals, measures to boost superannuation, and help for older Australians.

The 2018-19 Budget was handed down on 8 May by Treasurer Scott Morrison. In the last full Budget before the next Federal election, ScoMo delivered what was widely perceived to be an election Budget with lots of sweeteners for everyone. So what’s in it for you?

Businesses

The Government styled themselves as the champions of business with already legislated tax cuts for small and medium Australia businesses as well as unincorporated small businesses. While there were no specific tax cuts for businesses in the Budget, “the Government remains committed to ensuring that Australian businesses remain internationally competitive and will progressively reduce the corporate tax rate for all companies through the 10-year enterprise tax plan.” The following are further measures announced in the budget:

- Small businesses will benefit from the Government extending the **\$20,000 instant asset write-off** for a further 12 months to 30 June 2019. According to the Government, these small businesses will now have additional opportunities to reinvest in their business and replace or upgrade their assets;
- **Research & Development (R&D) changes** - From 1 July 2018 for companies with aggregated annual turnover of \$20 million or more, the Government will introduce an R&D premium that ties the rates of the non-refundable R&D tax offset to the incremental intensity of R&D expenditure as a proportion of total expenditure for the year. The R&D expenditure threshold - the maximum amount of R&D expenditure eligible for concessional R&D tax offsets - will be increased from \$100 million to \$150 million per annum.
- For companies with aggregated annual turnover below \$20 million, the refundable R&D offset will be a premium of 13.5 percentage points above a claimant's company tax rate. *Cash refunds from the refundable R&D tax offset will be capped at \$4 million per annum.* R&D tax offsets that cannot be refunded will be carried forward as non-refundable tax offsets to future income years.

Refundable R&D tax offsets from R&D expenditure on clinical trials will not count towards the cap;
- From **1 July 2019** Measures will be enacted to ensure that taxpayers will not be able to claim deductions for payments to their employees such as wages where they have not withheld any amount of PAYG from these payments, despite the PAYG withholding requirements applying;
- **The Government will introduce a limit of \$10,000 for cash payments made to businesses for goods and services from 1 July 2019** - This measure will require transactions over a threshold to be made through an electronic payment system or by cheque. Logically it would seem that this threshold amount should be \$10,000, but this is not spelt out in the Budget papers or the media release.
- The rules will not apply to transactions with:
 - financial institutions; or
 - consumer-to-consumer non-business transactions.

Income tax relief

The Government has promised to deliver targeted tax relief of up to \$530 to middle and lower income earners through a new tax offset for the 2018-19, 2019-20, 2020-21 and 2021-22 income years. This offset will be in addition to the current low-income tax offset and is expected to provide over 10 million Australians with tax relief.

In addition to this relief, the Government will increase the top threshold of the 32.5% tax bracket to \$90,000 from 1 July 2018. In a feat of forward planning, from 2022-23 the top threshold of the 19% tax bracket will be increased to \$41,000 with the low-income tax offset to be increased to \$645. According to the Government, these changes together will mean that taxpayers permanently receive tax relief.

Superannuation

In the Budget, the Government announced measures to ensure that Australians keep more of their super, including:

- giving the ATO capacity to actively reunite Australians with their lost and inactive superannuation;
- capping certain superannuation fees at 3% for accounts with balances of less than \$6,000;
- banning superannuation exit fees to make it easier for Australians to consolidate their superannuation;
- tailoring insurance arrangements to ensure that they are opt-in rather than opt-out;
- **SMSF member limit to increase from 4 to 6 - law to be amended from 1 July 2019** - The Budget confirmed that the maximum number of allowable members in new and existing self-managed superannuation funds (SMSFs) and small APRA funds will be expanded from 4 to 6 members from 1 July 2019. The proposed increase to the maximum number of SMSF members seeks to provide greater flexibility for large families to jointly manage retirement savings;
- **Superannuation work test exemption for contributions by recent retirees from 1 July 2019** - The Government will introduce an exemption from the work test for voluntary superannuation contributions by individuals aged 65-74 with superannuation balances below \$300,000 in the first year that they do not meet the work test requirements.
- Currently, the work test restricts the ability to make voluntary superannuation contributions for those aged 65-74 to individuals who self-report as working a minimum of 40 hours in any 30-day period in the financial year. The measure will give recent retirees additional flexibilities to get their financial affairs in order in transition to retirement; and
- **SMSF audit cycle of 3 years for funds with good compliance history from 1 July 2019-** The annual audit requirement for self-managed superannuation funds (SMSFs) will be extended to a 3-yearly cycle for funds with a history of good record-keeping and compliance.

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- The measure will apply to SMSF trustees that have a history of 3 consecutive years of clear audit reports and that have lodged the fund's annual returns in a timely manner.

Older Australians

The Government has tried to please both pensioners and self-funded retirees with the following measures announced in the Budget:

- expansion of the pension loans scheme to those on the full pension and self-funded retirees to give them the option to boost their retirement income. Full pensioners will be able to increase their income by up to 50% of the Age Pension;
- expansion of the pension work bonus which will allow age pensioners to earn up to \$300 per fortnight (up from \$250) without reducing their pension payments. The bonus will also be extended to self-employed individuals who will be able to earn up to \$7,800 per year;
- exemption from the superannuation work test for those aged 65-74 with superannuation balances below \$300,000;
- standards of living in retirement will be boosted and retirees will have greater choice in how they receive their superannuation through the Government's retirement income framework.