

Federal Budget Briefing May 2018

TAXATION

Seven year personal income tax plan

The Government will introduce a Personal Income Tax Plan over a seven year period that involves 3 steps:

Step 1: 2018-19 to 2021-22

- Introduction of a Low and Middle Income Tax Offset of up to \$530pa, in addition to Low Income Tax Offset (LITO), from 2018-19 to 2021-22
- Extend the top threshold for the 32.5% personal income tax bracket from \$87,000 to \$90,000

Step 2: 2022-23 to 2023-24

- Extend the top threshold for the 19% personal income tax bracket from \$37,000 to \$41,000
- Extend the top threshold for the 32.5% personal income tax bracket from \$90,000 to \$120,000
- Increase LITO from \$445 to \$645

Step 3: 2024-25 and later financial years

- Removal of the 37% personal income tax bracket
- Extend the top threshold for the 32.5% personal income tax bracket from \$120,000 to \$200,000

TAX INTEGRITY MEASURE FOR TESTAMENTARY TRUSTS EFFECTIVE 1 JULY 2019

The Government has announced concessional tax rates available for minors receiving income from testamentary trusts will be limited to income derived from assets transferred from a deceased estate or proceeds from the disposal or investment of those assets.

This measure aims to prevent minors from obtaining the benefit of adult marginal tax rates on a higher amount of income by transferring assets that are unrelated to a deceased estate into a testamentary trust.

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Did you **know?**

We have accounting and taxation services in both Adelaide and Renmark? We would be happy for you to refer friends and family to have their tax returns completed by us!

Do you know someone who would benefit from PRP Group Services?
Why not pass along this newsletter to introduce us!

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RETAINING THE MEDICARE LEVY AT TWO PERCENT EFFECTIVE 1 JULY 2019

The Government will not increase the Medicare Levy rate from 2 to 2.5 per cent of taxable income as legislated to commence from 1 July 2019. Consequential changes to other tax rates linked to the top personal tax rate such as the fringe benefits tax rate, will also not proceed.

EXTENDING ACCELERATED DEPRECIATION FOR SMALL BUSINESSES

EFFECTIVE 1 JULY 2018

The Government will extend the existing \$20,000 instant asset write-off by a further 12 months to 30 June 2019 for businesses with aggregated annual turnover of less than \$10 million. Under this measure, small businesses will be able to immediately deduct purchases of eligible assets costing less than \$20,000 where they are installed and ready for use before 30 June 2019.

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15 per cent in the first income year and 30 per cent each income year thereafter. The pool can also be immediately deducted if the balance is less than \$20,000 over this period (including existing pools).

DEDUCTIONS DENIED FOR VACANT LAND

EFFECTIVE 1 JULY 2019

The Government will deny deductions for expenses associated with holding vacant land. The Government says this is an integrity measure to address concerns that deductions are being improperly claimed for expenses, such as interest costs, relating to holding vacant land, where the land is not genuinely held for the purpose of earning assessable income.

Expenses for which deductions will be denied that would ordinarily be included in an asset's cost base, such as borrowing expenses and council rates, may be included in the cost base of the asset for capital gains tax (CGT) purposes when sold. However, denied deductions for expenses that would not ordinarily be a cost base element would not be able to be included in the cost base of the asset for CGT purposes.

The Government has confirmed this measure will not apply to expenses associated with holding land that are incurred after:

- a property has been constructed on the land, it has received approval to be occupied and is available for rent; or
- the land is being used by the owner to carry on a business, including a business of primary production.

This measure will apply to land held for residential or commercial purposes. However, the 'carrying on a business' test will generally exclude land held for commercial development.

SUPERANNUATION

SUPERANNUATION WORK TEST EXEMPTION FOR RETIRES

EFFECTIVE 1 JULY 2019

The Government intends to amend the superannuation contribution rules to allow people aged 65 to 74 that have a total superannuation balance of under \$300,000 to make voluntary contributions for 12 months from the end of the financial year they last satisfied the work test. This will give people more time to make contributions to super after they have retired and finished working.

For example, if a client retired on 30 March 2020, they would be able to make voluntary concessional and/or non-concessional contributions during the 2020-21 financial year where their total superannuation balance was under \$300,000 on 30 June 2020. In this case, the normal contribution caps will apply, including the ability to make additional contributions under the catch-up concessional contribution rules.

THREE YEAR AUDIT CYCLE FOR SOME SMSFS

EFFECTIVE 1 JULY 2019

The Government will allow certain SMSFs to move from an annual to a three-yearly audit cycle where they have:

- three consecutive years of clear audit reports, and
- lodged the fund's annual returns in a timely manner.

INCREASE TO PENSION WORK BONUS

EFFECTIVE 1 JULY 2019

The Pension Work Bonus encourages age/service pensioners to remain in the workforce by disregarding an amount of employment income from the pension income test.

Under current rules, the Pension Work Bonus allows pensioners to disregard up to the first \$250pf of employment income. Under the proposed changes, the amount of employment income that will be disregarded will increase to \$300pf.

Pensioners will continue to accrue unused amounts of the fortnightly Pension Work Bonus, which can exempt future earnings from the pension income test. The maximum accrual amount will increase from \$6,500 to \$7,800.

In addition, the Pension Work Bonus will be extended to earnings from self-employment.

NATIONAL REGISTER OF ENDURING POWERS OF ATTORNEY

EFFECTIVE DATE NOT SPECIFIED

As part of a range of measures to protect the rights of older Australians from abuse, the Government will work with the States and Territories to establish a National Register of Enduring Powers of Attorney.

In the Elder Abuse Report (June 2017), reasons provided for the establishment of a National Register included:

- ensuring that only one enduring document can be registered at any one time
- enabling the easy identification of documents that are live (that is active because they commence on signing or because it has been appropriately confirmed that the principal no longer has relevant decision-making ability); and
- providing clarity as to the precise roles and powers of the attorney



Whether considering options for yourself, or deciding how best to help someone close to you, aged care is a complex area requiring careful thought. The uncertainty surrounding where to move, how much it will cost, and where the money will come from can be overwhelming and stressful.

We can help you understand the steps you need to take, where to find the answers, and help you make informed decisions.

Talk to Garry Pinnington in our Riverland office, or Darron Reid in our Adelaide office.

We make it our goal to take the stress out of the decision making, which then leaves you to care for your loved one.

IMPORTANT INFORMATION

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SINGLE TOUCH PAYROLL – FOR EMPLOYERS

Single Touch Payroll is the next step in streamlining your payroll reporting. It will change the way you report your employees payroll information to the ATO. It starts from 1 July 2018 for employers with 20 or more employees.

You will report payments such as salaries and wages, pay as you go (PAYG) withholding and super information to the ATO when you pay your employees.

You can do this through your existing payroll software (such as accounting software) as long as it is updated to offer Single Touch Payroll reporting. Payroll software providers are updating their products now. Talk to your provider to find out how and when your product will be ready.

Should you have any questions regarding Single Touch Payroll please contact your team member at PRP Accounting Services on 08 8586 6644 or go to the following site: www.ato.gov.au/stp

Behind the Scenes at PRP

Farewell Taylor Swinstead

It is with regret we bid farewell to our much respected colleague, Taylor Swinstead, who has been for many years a Client Manager and our self managed superannuation specialist.



Taylor is looking to the challenge of developing and expanding the family horticultural activities and we wish her and Will great success in this venture.

From time to time we will look forward to seeing Taylor in her rural refinement and trust a lovely sponge won't be out of the question.

Tracey Bon Voyage on overseas holiday

Tracey Russell from our Adelaide Office is taking 8 weeks long service leave from 16 July to 7 September. Tracey and her husband, Ian, are taking their first overseas holiday and they will be visiting London, France, Ireland and Scotland while they are away. We wish Tracey and Ian a fantastic holiday and safe travels.