

Federal Budget Review for 2018

On the 8th May, the federal government released their budget with a number of proposed changes. The following is a breakdown of some of the key proposals put forward in last night's Federal Budget.

At this stage these are just proposals and not yet law, which means things could change as legislation passes through parliament.

Overall, the changes are largely cosmetic and the government attempted to hand out some small gifts for the bulk of the working population in anticipation of an election in early-mid 2019 whilst also preserving their self declared status as "economic managers" by using a strengthening economy to bring forward the projected time line when the budget will return to surplus.

Tax Cuts

The primary change was the low and middle income tax offset which will provide up to \$530 for those earning up to \$90,000 reducing by 1.5% for each dollar over that until \$125,333.

The 32.5% tax bracket will also increase to \$90,000 (currently \$87,000).

The 19% bracket will increase from \$37,000 to \$41,000.

A number of other changes were proposed which are frankly too far into the future to be considered at this point.

Medicare Levy

The proposal to increase the Medicare Levy from 2% to 2.5% was scrapped.

The threshold where the medical levy is payable was increased for low income singles, families, seniors and pensioners.

Superannuation

Work Test Changes for Recent Retirees

People over 65 with superannuation balances less than \$300,000 will be able to make a top up super contribution in the year following the last year they were eligible to contribute to superannuation (the existing contribution caps will apply).

Ability to Opt Out of Super Contributions

Some high income earners with multiple jobs will have the ability to opt out of receiving SG contributions if they are likely to exceed the concessional contribution cap (\$25,000).

Changes to Insurance inside Superannuation

Insurance for the following members will now be "opt-in"

- Super balance of less than \$6,000
- Under 25
- Account has been dormant for 13 months

Self-Managed Super Funds

The government has proposed to increase the number of members allowed for a SMSF from four to six.

The annual audit requirement will be reduced from 1 year to 3 years for those with good compliance records.

Small Business

The \$20,000 instant asset write off will be extended for a further 12 months.

Centrelink

Assessment of Lifetime Annuities

From July 2019, the government is proposing the following changes to new lifetime annuities.

- 60% of all lifetime annuity payments will be counted as income
- 60% of the purchase price of the product will be counted as an asset until age 84, reverting to 30% for the remainder.

This presents interesting opportunities for clients who are not currently able to access Centrelink benefits or would like to increase their Centrelink entitlements.

Extension of Pension Work Bonus

The work bonus allows employees to reduce the amount of employment income they have assessed under the Centrelink Income Test. The work bonus will increase from \$250 per fortnight to \$300 per fortnight. Self-employed people will also be able to access this benefit going forward.

Extension of Pension Loans Scheme

The Pension Loan Scheme is basically a reverse mortgage scheme administered by Centrelink, which allows those receiving a part Age Pension and those who are not receiving an Age Pension payment (because they've failed either the income or the assets test) to be paid a 'top up' loan to ensure they receive the equivalent of the full Age Pension amount using the family home as collateral.

The government is proposing expanding eligibility for the scheme to all Australians of Age Pension age, including those on the full Age Pension and self-funded retirees, from 1 July 2019. Under the proposal, the maximum allowable combined Age Pension and scheme loan will be 150% of the full Age Pension rate.

If you have any questions about this update or any other matter, please don't hesitate to contact me.

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