

2018 Federal Budget

SUMMARY - INDIVIDUALS AND BUSINESSES



Top 15

BUDGET MEASURES FOR INDIVIDUALS AND BUSINESSES

1

SEVEN-YEAR PERSONAL INCOME TAX PLAN

A seven-year Personal Income Tax (PIT) Plan will be implemented in three steps, to introduce a low and middle income tax offset, to provide relief from bracket creep and to remove the 37% PIT bracket. This will provide a benefit of up to \$530 pa to low and middle income taxpayers from 2018/19.

2

MEDICARE LEVY REMAINS AT 2%

The Medicare levy low-income thresholds for singles, families, seniors and pensioners will be increased from the 2017/18 income year. The 2017/18 Federal Budget measure to increase the Medicare levy from 2% to 2.5% of taxable income from 1 July 2019 will not proceed.

3

R&D TAX INCENTIVE CHANGES

The calculation for entities claiming the R&D tax incentive will change commencing for income years beginning on or after 1 July 2018. Also, a maximum cash refund for "smaller" R&D claimants (annual turnover below \$20m) will be capped at \$4m per financial year

4

\$20,000 IMMEDIATE ASSET WRITE-OFF EXTENDED

Businesses with an aggregated turnover of less than \$10m will continue to have access to the \$20,000 instant asset write-off for another 12 months. A small business will get an immediate deduction for assets costing less than \$20,000, and installed and ready for use before 30 June 2019.

5

SMSF MEMBER LIMIT INCREASE

The maximum number of members allowable in self-managed superannuation funds (SMSFs) and small APRA funds will increase from 4 to 6 from 1 July 2019. This will allow more family members to be part of a SMSF.

6

SUPER WORK TEST EXEMPTION FOR RECENT RETIREES

An exemption from the work test for voluntary contributions to superannuation will be introduced from 1 July 2019 for people aged 65-74 with superannuation balances below \$300,000, in the first year that they do not meet the work test requirements.

7

DEDUCTIONS FOR VACANT LAND TO BE DENIED

From 1 July 2019, tax deductions will not be allowed for expenses associated with holding vacant land. This is to address concerns that deductions are being improperly claimed for expenses, such as interest costs related to holding vacant land where the land is not genuinely held for income producing purposes.

8

DIV 7A

Division 7A will be amended to clarify the circumstances in which it applies to unpaid present entitlements (UPEs). In addition, the start date of targeted amendments to Div 7A will be deferred from 1 July 2018 to 1 July 2019.

9

TESTAMENTARY TRUSTS

From 1 July 2019 the concessional tax rates for the income of minors from Testamentary Trusts will not be available for trust assets unrelated to the deceased estate.

10

CASH PAYMENT LIMIT

In an effort to reduce tax evasion, business can no longer receive cash payments above \$10,000 for goods and services from 1 July 2019.

11

SUPER GUARANTEE

From 1 July 2018, employees with more than one job and income greater than \$263,157, will be able to nominate that certain employers not to make Superannuation Guarantee Contributions (SGC) on their behalf. This means that the Salary Package of some employees could be renegotiated to include the 9.5% SGC as a Salary or Wage.

12

AGED CARE

Additional funding will go towards access for Aged Care for older Australians. The funding package includes 14,000 new high level home care packages over four years from 2018/19 and 13,500 residential aged care places in 2018/19. The government is also look to "streamline the assessment process for aged care services".

13

EVERETT ASSIGNMENTS

From 7.30pm on 8 May 2018, the Small Business Capital Gains Tax Concessions will no longer be available to partners that alienate their income by creating, assigning or otherwise dealing in rights to the future income of the partnership.

14

NON-COMPLIANT PAYMENTS

From 1 July 2019, businesses will no longer be able to claim deductions for payments to their employees where they have not met their PAYG obligations. Additionally, the deduction for businesses on certain payments to contractors which have not met PAYG obligations will be removed.

15

BLACK ECONOMY - ILLEGAL PHOENIX ACTIVITY

The government will reform laws and provide regulators with additional tools to assist them to deter and disrupt illegal phoenix activity including preventing directors backdating resignations, extend the Director Penalty Regime to GST and expand the ATO's power to retain refunds where there are outstanding tax lodgements.

ABOUT US

Since 1953, we've been the firm that's helped countless clients build and preserve their personal and business wealth. With our innovative thinking and traditional values, we've helped many individuals and businesses reach their full potential and achieve their goals.

Newcastle

The Bolton Building
25 Bolton Street
Newcastle NSW 2300
PO Box 694

Telephone (02) 4928 8500
Fax (02) 4926 1971
Email cnmail@cutcher.com.au

Sydney

Suite 1102, Level 11
20 Berry Street
North Sydney NSW 2059
PO Box 281

Telephone (02) 9923 1817
Email cnmail@cutcher.com.au

Innovative thinking.
Traditional values.

 **Cutcher&Neale**
ACCOUNTING AND FINANCIAL SERVICES