

BusinessPlus+ Newsletter



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Federal Budget Edition – April 2019

2019/20 Federal Budget Highlights Specifically Relating to Small/Medium Enterprises

Please note, most of the items discussed in this newsletter have not yet been legislated by Federal Parliament. The government must submit its budget to the House of Representatives and the Senate for debate and passing of the legislation before most of the items become law.

Budget Overview

The Federal Treasurer, Mr Josh Frydenberg, has handed down his first Budget. The Treasurer said that the Budget is focused on “*getting Australia back in the black*”. Mr Frydenberg indicated that “*the Budget would get Australia back on track – the first time in 12 years – that Australia would be paying its own way*”.

The government is predicting a Budget surplus for 2019/20 of \$7.1 billion and, over the next 4 years, the Treasurer is predicting that there will be Budget surpluses aggregating \$45 billion.

The government is predicting that by 2030 the government will have eliminated all Federal government debt.

The government is forecasting that the economy will grow by 2.75% in 2019/20 and by 3% in 2020/21.

The government's prediction is that unemployment will remain unchanged at 5% through to 2022/23.

The government expects inflation to be 2.25% in 2019/20 with a slight increase to 2.5% in 2020/21.

Key Items For Small/Medium Enterprises

Key items for small/medium-sized enterprises:

- Instant asset write-off increased to \$30,000 for businesses with turnovers up to \$50 million per annum.
- Extra \$60 million allocated over 3 years for the Export Market Development Grant.
- \$525 million allocated for skills development including 80,000 new apprenticeships.
- Employers will receive incentive payments of up to \$8,000 for the hiring of apprentices, a 100% increase on the current incentive payments.
- Ten new training hubs will be established around Australia.
- The Australian Taxation Office will be allocated an extra \$1 billion to scrutinise tax avoidance schemes.
- Unfortunately the government has not provided any clarity on the research and development tax incentive proposed changes.
- Proposed Div 7A amendments – which relates to unpaid present entitlements – where a private company becomes entitled to a share of trust

income as a beneficiary, that is not being paid that amount – start date deferred 12 months.

- Tax exemption for North Queensland Floods Grants – this will apply to primary producers, small businesses and non-profit organisations affected by the floods.
- Tax exemption for primary producers affected by Queensland storms.
- Concessional Farm Household Allowance (FHA) treatment for income from forced disposal of livestock.
- Superannuation contributions work test exemption extended to age 66; spouse contributions aged limit increased.
- Luxury car tax refunds are proposed to be increased
- Addressing sham contracting - the government is providing additional funding to the Fair Work Ombudsman to investigate
- Seasonal Worker Program - Pilot Scheme - to be undertaken in three regions during 2018/19
- Trades Recognition Australia - the government is proposing to make changes to the system
- Aged Care Initiatives - additional funding being made available
- Single Touch Payroll to report for Social Security purposes

Individuals

- 2 significant changes were announced by the Treasurer which will deliver \$158 billion of additional tax relief for Australian taxpayers:
- The low and middle income tax offset will be increased from \$530 to \$1,080 from 2018/19. This offset will be available for taxpayers earning up to \$126,000 per annum. This new offset will be able to be claimed in income tax returns lodged for 2018/19 from 1 July 2019.

The offset will provide a reduction in tax of up to \$255 for taxpayers with a taxable income of \$37,000 or less.

For taxpayers with incomes between \$37,040 and \$48,000, the balance of the offset will increase at a rate of 7.5 cents per dollar to the maximum offset of \$1,080.

Taxpayers with taxable income between \$48,000 and \$90,000 will be eligible for the maximum offset of \$1,080.

For taxable incomes of \$90,000 to \$126,000 the offset will phase out at a rate of \$0.03 per dollar.

- The Treasurer announced the lowering of the 32.5% tax rate to 30% from 1 July 2024. This will cover all taxpayers earning between \$45,000 and \$200,000.
- The government's intention is that from 2024/25 there will only be three personal income tax rates – 19%, 30%, and 45%.

Pensioners

The government is proposing an immediate one off rebate on energy costs to pensioners of \$75 for an individual or \$125 for couples.

Tax rates and income thresholds

<u>Rate</u>	<u>Income Thresholds 2018/19</u>
Nil	\$0 - \$18,200
19%	\$18,201 - \$37,000
32.5%	\$37,001 - \$90,000
37%	\$90,001 - \$180,000
45%	\$180,000 +

Concessional Farm Household Allowance (FHA) Treatment For Income From Forced Disposal Of Livestock

From 1 July 2019 the government proposes that farmers receiving FHA will be able to discount or exempt income from the forced sale of livestock from the FHA income test when that income is invested in a farm management deposit.

Instant Asset Write Off Extended

The Treasurer announced important changes to the Instant Asset Write-Off Rules. The right off has been extended to medium-sized businesses with annual incomes of up to \$50 million. Please note that the ability to claim the right off for medium-sized enterprises - turnovers up to \$50 million - only applies from 2 April 2019.

The amount of the instant asset write off threshold has been increased from \$25,000 to \$30,000. The threshold applies on a per asset basis, so eligible businesses can instantly write off multiple assets.

The threshold increase will apply from 2 April 2019 to 30 June 2020.

For small businesses - turnover under \$10 million per annum - the effect of the changes that have been made to the threshold amount means that:

- Expenditure of up to \$20,000 per asset acquired up to 29 January 2019 will be able to be claimed in full.
- Expenditure of up to \$25,000 per asset acquired from 29 January 2019 to 2 April 2019 will be able to be claimed in full.
- Expenditure of up to \$30,000 per asset acquired from 2 April 2019 will be able to be claimed in full.

Proposed Div 7A Amendments

The Treasurer announced that the government will defer the start date of the change announced in the 2018/19 budget "Tax Integrity" – clarifying the operation of the division 7A integrity rule, to 1 July 2020.

Tax Exemption For North Queensland Floods Grants

The Treasurer announced that the government will provide an income tax exemption for qualifying grants made to primary producers, small businesses and non-profit organisations affected by the North Queensland floods.

Qualifying grants will have been paid under the:

- Disaster Recovery Funding Arrangements 2018.
- Grants provided under the On-Farm Restocking and Replanting Grants Program.
- On-Farm Infrastructure Grants Program.

The exemption will apply where the grants related to the monsoonal trough, which produced flooding that started on or after 25 January 2019 and continued into February 2019. The grants will be non-assessable non-exempt income for tax purposes.

Tax Exemption For Primary Producers Affected By Queensland Storms

The government will provide an income tax exemption to primary producers in the Fassifern Valley, Queensland affected by storm damage in October 2018.

The tax exemption relates to payments distributed to affected taxpayers through a grant totalling \$1 million to the foundation for rural and regional renewal, working with the Salvation Army and a local community panel.

Superannuation Contribution Work Test Exemption Extended

The government has announced that individuals aged 65 and 66 will be able to make voluntary superannuation contributions to from 1 July 2020 without needing to meet the contributions work test.

The age limit for making spouse contributions will also be increased from 69 to 74.

Increased Luxury Car Tax Refunds For Farmers And Tourism Operators

The Treasurer announced that the government will provide further relief to farmers and tourism operators by amending the Luxury Car Tax (LCT) refund arrangements.

For vehicles acquired on or after 1 July 2019 eligible primary producers and tourism operators will be able to apply for a refund of any luxury tax paid, up to a maximum of \$10,000.

Export Market Development Grant (EMDG) - Extra Funding

The Budget confirmed that the government will invest an additional \$60 million in the Export Market Development Grant Scheme over the next 3 years to help more businesses export their products and services.

To qualify for this grant, businesses must be involved in one of:

- the export of goods and most services
- inbound tourism
- the export of intellectual property and know-how
- conferences and events held in Australia

Skills Package

The Budget summarises a new \$525 million Skills Package relating to new apprenticeships, incentive

payments and training. The government intends to create 80,000 new apprenticeships over 5 years in industries with skills shortages. The Budget also proposes to double incentive payments to employers to \$8,000 per placement.

The new apprentices will also receive a \$2,000 incentive payment.

Eligible occupations will include carpenters and joiners; plumbers; hairdressers; air-conditioning and refrigeration mechanics; bricklayers and stonemasons; plasterers; bakers and pastry cooks; vehicle painters; wall and floor tilers; arborists.

The government will also work closely with industry to train Australians in areas of future high demand, including communications technology, advanced manufacturing and health services.

New Training Hubs

The government has announced that it intends to develop 10 new training hubs which will connect schools, local industries and young people in regional areas with high youth unemployment.

The location of these training hubs has not been announced by the government.

Addressing Sham Contracting

The government has announced that it will provide \$9.2 million over 4 years from 2019/20 to establish a dedicated sham contracting unit within the Fair Work Ombudsman office to address sham contracting behaviour engaged in by some employers, particularly those who knowingly or recklessly misrepresent employment relationships as independent contracts to avoid statutory obligations and employment entitlements.

Seasonal Worker Program

The government has announced that it will provide \$2.9 million over 2 years from 2018/19 to implement a 12 month pilot program to improve small farmers' access to workers through the existing Seasonal Worker Program (SWP). The government has indicated that the pilot will simplify SWP requirements to make it easier and quicker for labour hire approved employers to recruit and move seasonal workers between smaller farms. The pilot will be implemented in up to 3 regions.

Trades Recognition Australia - Full Cost Recovery

The government has announced that it will provide \$131.6 million over 5 years from 2018/19 to streamline and strengthen Trades Recognition Australia's (TRA's) oversight of skills assessments related to migration, employment and licensing purposes.

The government has indicated that these activities will be fully cost recovered by the collection of fees from individual applicants. Fees will be collected by TRA rather than through Registered Training Organisations.

Aged Care Initiatives

The government will fund an additional 10,000 home care packages over 5 years from 2018/19.

The government is also providing a \$320 million general subsidy boost in 2018/19 for residential aged care and 13,500 new residential care places.

Tax-Free Energy Payment To Pensioners

The Budget includes provision for a one off tax-free energy payment to pensioners of \$75 for singles and \$125 for eligible couples as a payment to help with their next energy bill and cost of living expenses.

Single Touch Payroll To Report For Social Security Purposes

The government has announced that it will automate the reporting of employment income for Social Security purposes through the Single Touch Payroll System (STP).

From 1 July 2020, income support recipients who are employed will report income that is received during the fortnight, rather than calculating and reporting their earnings. Each fortnight, income data received through an expansion of STP data sharing arrangements will be shared with the Department of Human Services, for recipients with employees utilising STP.

This will mean that all employers will be required to report each fortnight via their STP because the STP system is to be operational for all employers by no later than 30 September 2019 (STP already applies to employers with more than 20 employees).

If you would like to discuss any of the items included in the Australian Government's 2019/20 Budget, please do not hesitate to contact the accountant in our firm with whom you normally deal.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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