

SUMMARY OF SELECTED 2018-19 BUDGET MEASURES

THAT MAY AFFECT SCOA MEMBERS

The following is a selection of budget measures that may be of interest to SCOA members. Not all budget measures are included in this summary. More information can be obtained from www.budget.gov.au

Personal Income Tax

There will be a new tax schedule for 2018-19. From 1 July 2018, the Government will increase the top threshold of the 32.5 percent personal income tax bracket from \$87,000 to \$90,000.

The tax schedule will change from 1 July 2018 as follows:

Taxable Income	Tax Payable / Marginal Rate
Up to \$18,200	Nil
\$18,201 - \$37,000	Nil + 19% of each dollar over \$18,200
\$37,001 - \$87,000 \$90,000	\$3,572 + 32.5% of each dollar over \$37,000
\$87,001 \$90,001 - \$180,000	\$19,822 \$20,796 + 37% of each dollar over \$87,000 \$90,000
Over \$180,000	\$54,232 \$54,096 + 45% of each dollar over \$180,000

There will also be an additional low and middle income tax offset commencing in 2018-19 as outlined in the personal income tax plan below.

Medicare Levy low-income threshold for families

The Government will increase the Medicare Levy low-income threshold for singles, families and single seniors and pensioners from 2017-18 income year.

- The threshold for singles will be increased from \$21,655 to \$21,980.
- The family threshold will be increased from \$36,541 to \$37,089.
- For single seniors and pensioners, the threshold will be increased from \$34,244 to \$34,758.
- The family threshold for seniors and pensioners will be increased from \$47,670 to \$48,385.
- For each dependent child or student, the family income thresholds increase by a further \$3,406, instead of the previous amount of \$3,356.

Personal Income Tax Plan

The Government will introduce a seven-year Personal Income Tax Plan over three stages.

Step 1 Targeted tax relief to low and middle income earners

A Low and Middle Income Tax Offset will be introduced. The offset is:

- a non-refundable tax offset
- of up to \$530 per annum
- available to Australian resident low and middle income taxpayers

- available for the 2018-19, 2019-20, 2020-21 and 2021-22 income years
- received as a lump sum on assessment after an individual lodges their tax return.

The offset will provide a benefit of:

- up to \$200 for taxpayers with taxable income of \$37,000 or less
- the value of the offset will increase at a rate of three cents per dollar to the maximum benefit of \$530 for taxpayers with taxable income between \$37,000 and \$48,000
- the maximum benefit of \$530 for taxpayers with taxable incomes from \$48,000 to \$90,000
- the offset will phase out at a rate of 1.5 cents per dollar for taxpayers with taxable incomes from \$90,000 to \$125,000.

The benefit of the offset is in addition to the existing Low Income Tax Offset (LITO).

The low and middle income tax offset is determined from the following table:

Taxable Income	Tax Offset
<\$37,000	\$200
\$37,000 - \$48,000	\$200 increase at 0.03 per dollar to a maximum of \$530
\$48,001 - \$90,000	\$530
\$90,001 - \$125,333	phase out at 1.5% per dollar

Step 2 Protecting middle income Australians from bracket creep

The top threshold of 32.5 per cent personal income tax bracket will be increased from \$87,000 to \$90,000.

This measure takes effect from 1 July 2018.

Other measures include:

- LITO will be increased from \$445 to \$645 (and withdrawn at a rate of 6.5 cents per dollar between incomes of \$37,000 and \$41,000, and at a rate of 1.5 cents per dollar between incomes of \$41,000 and \$66,667)
- 19 per cent personal income tax bracket will be extended from \$37,000 to \$41,000
- top threshold of the 32.5 per cent personal income tax bracket will be increased from \$90,000 to \$120,000.

These measures take effect from 1 July 2022.

Step 3: Ensuring Australians pay less tax by making the system simpler

The 37 per cent tax bracket will be removed entirely:

- top threshold of 32.5 per cent personal income tax bracket will be increased from \$120,000 to \$200,000.
- Taxpayers will pay the top marginal tax rate of 45 per cent from taxable incomes exceeding \$200,000 and the 32.5 per cent tax bracket will apply to taxable incomes of \$41,001 to \$200,000.

These measures take effect from 1 July 2024.

The above is illustrated in the following table:

Tax rate	Thresholds in 2017-18	New Thresholds in 2024-25
Nil	Up to \$18,200	Up to \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$41,000
32.5%	\$37,001 - \$87,000	\$41,001 - \$200,000
37%	\$87,001 - \$180,000	-
45%	Above \$180,000	Above \$200,000

Superannuation

More choices for longer life – work test exemption for recent retirees

The Government will introduce an exemption from the work test for voluntary contributions to superannuation, for people aged 65-74 with superannuation balances below \$300,000, in the first year that they do not meet the work test requirements.

This measure will take effect from 1 July 2019.

Increasing the number of maximum allowable members in self-managed superannuation funds from four to six

The maximum number of members permitted in new and existing self-managed superannuation funds and small APRA funds will be increased from four to six.

This measure will commence from 1 July 2019.

Retirement measures

Super funds must offer products that provide income for life

The federal government will require super fund trustees to develop a strategy that would help members achieve their retirement income objective. The covenant, to be inserted into the SIS Act (super law) will require trustees to offer Comprehensive Income Products for Retirement (CIPRs), that is, products that provide guaranteed income for the life of the fund member (although it will not be compulsory for a fund member to take up a CIPR). A position paper will be released soon.

New disclosure rules for retirement income products

Providers will be required to report simplified and standardised information.

Means testing for lifetime products

From 1 July 2019, new Age Pension means testing rules will be applied to pooled lifetime income streams. A fixed 60% of all pooled lifetime payments will be treated as income and 60% of the purchase price of the product as assets until age 84, or a minimum of 5 years, and then 30% for the rest of the person's life.

These proposals will not apply to pooled lifetime streams purchased before 1 July 2019, which will be subject to the current means test rules. Means testing of flexible account based pensions and existing annuities will not change under this measure.

Social Security

More choice for longer life – finances for a longer life

- Increase the Pension Work Bonus from \$250 to \$300 per fortnight to allow pensioners to earn up to \$7,800 each year without impacting their pension;
- Extend the Pension Work Bonus to allow self-employed retirees to earn up to \$300 per fortnight without impacting their pension;
- Amend the pension means test rules to encourage the development and take-up of lifetime retirement income products that can help retirees manage the risk of outliving their savings; and
- Expand the Pension Loans Scheme to everyone over Age Pension age and to increase the maximum fortnightly income stream to 150 per cent of the Age Pension rate.

This measure commences on 1 July 2019.

More choice for longer life – healthy aging and high quality care

The Government will implement new policies to support people to stay at home longer, remain healthy and independent for longer, and to improve access to high quality, safe aged care:

- additional 14,000 new high level home care packages over four years from 2018-19 in addition to the 6,000 high level packages delivered in the 2017-18 MYEFO;
- 13,500 residential aged care places and 775 short term restorative care places in the 2018-19 Aged Care Approvals Round will be released, with a \$60.0 million capital investment to support new places;
- combine the Residential Care and Home Care programs from 1 July 2018 to provide greater flexibility to respond to changes in demand for home care packages and residential aged care places.
- the Government will support preparatory work for a new national assessment framework for people seeking aged care;
- the Government will trial navigator services to assist people seeking information about aged care to make decisions that are right for them.

More choice for longer life – jobs and skills for mature age Australians

To support mature age Australians to adapt to the transitioning economy and develop the skills needed to remain in work, additional funding includes:

- targeted training to help mature age job seekers aged 45 years and over and who are registered with a job active provider to enhance employability, develop digital skills and identify opportunities in local labour markets;
- training funding of up to \$2,000 for workers aged 45 to 70 years to take up reskilling or upskilling opportunities, with the Government contribution to be matched by either the worker or their current employer;
- support mature age workers who are considering early retirement or who are retrenched to look at alternatives to remain in employment;
- additional Inclusive Entrepreneurship Facilitators for an increased focus on mature

- age people to promote entrepreneurship and new business opportunities and to provide business mentoring; and
- restructure the Employment Fund to allow additional wage subsidy places for mature age employees. In addition, the Government will work with business and community peak bodies to develop strategies that promote the benefits of a diverse workforce, influence hiring practices and reduce discrimination.

More choice for longer life – skills checkpoint for older workers program – establishment

The Government will establish the Skills Checkpoint for Older Workers program, which will support employees, aged 45-70 to remain in the workforce.

From 1 September 2018, 5,000 employees each year would be entitled to receive customised career advice on transitioning into new roles, or their pathways to a new career, including referrals to relevant training options

National Disability Insurance Scheme - continuity of support

The Government will ensure continuity of support for people who are not eligible for the National Disability Insurance Scheme (NDIS), but are currently receiving support under programs that are transitioning to the NDIS.

Under the new continuity of support arrangements, eligible recipients will receive a level of support that is consistent with that which they currently receive.

10 May 2018.