Budget summary

Federal Budget 2019-20

Overview

On 2 April 2019, the Government handed down the 2019-20 Federal Budget.

The focus of the 2019-20 Budget is a plan for a stronger economy and securing a better future. In last year's Budget, the Government commented that just as most households had to tighten their budgets over recent years, the Government was committed to doing the same. With the Budget returning to a surplus position much sooner than anticipated, the Government is now seeking to give back to Australians.

From a pure financial planning and wealth perspective, the positive news from this year's Budget is that the changes are minimal in number compared to prior years, and largely positive in nature. This is not a surprise in an election year. From accelerating the timing of changes to personal taxation thresholds and tax offsets originally announced in the 2018-19 Budget, measures to allow people to contribute to super for a longer period of time, and additional assistance to welfare recipients to overcome increasing living costs, particularly for essential utilities such as electricity, there is something for nearly everyone in this Budget.

It is always important to remember that at this point, the Budget measures are only statements of proposed changes, and are not yet law. With an election expected to occur in May 2019, it's likely that these proposals will only become law if the current Government is successfully re-elected.

Following is a summary of some of the major proposals and how they may affect you.

Taxation

The major aspect of taxation reform centres on the Government's 'Personal Income Tax Plan'. The Personal Income Tax Plan was announced in the 2018-19 Federal Budget, and is being phased in over a seven-year period.

The first set of changes implemented under the Personal Income Tax Plan, which took effect from 1 July 2018 (until 30 June 2022), was the introduction of a 'Low and Middle Income Tax Offset', valued at up to $530 per annum. In this year's Budget, the Government has announced they will more than double the maximum benefit to $1,080 per annum. This is still proposed to have a commencement date of 1 July 2018, which means if legislated, the benefit will flow through to eligible individuals when they lodge their tax return for the current financial year.

The maximum benefit will flow to those with taxable income ranging from $48,000 to $90,000, but there is some benefit if your taxable income is below $48,000 or between $90,000 and $126,000.

It had been expected that the Government would further accelerate other elements of the Personal Income Tax Plan, but they have chosen not to do this. However, they are providing additional relief by making further changes to thresholds and rates. These changes are reflected in the table on the following page.

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Resident marginal tax rates and thresholds (excluding Medicare Levy)

Current taxable income thresholds (from 1 July 2018)	Tax rate	From 1 July 2022	Tax rate	From 1 July 2024	Tax rate
Up to $18,200	Nil	Up to $18,200	Nil	Up to $18,200	Nil
$18,201 - $37,000	19%	$18,201 - $45,000	19.0%	$18,201 - $45,000	19.0%
$37,001 - $90,000	32.5%	$45,001 - $120,000	32.5%	$45,001 - $200,000	30.0%
$90,001 - $180,000	37.0%	$120,001 - $180,000	37.0%	Removed	Removed
$180,001 over	45.0%	$180,001 and over	45.0%	$200,001 and over	45% of each dollar over $200,000

Small business owners will also gain the benefit of a further 12 month extension (until 30 June 2020) of the ability to claim an instant asset write off for eligible assets purchased, and an increase in the write off up to $30,000 (increased from the current level of $20,000) from 3 April 2019.

Superannuation

Superannuation was left largely untouched except for a number of adjustments to existing policies, including giving individuals greater flexibility to contribute to super.

From 1 July 2020, if you are aged 65 or 66, you will be able to make additional contributions to super even if you're no longer working. This is a welcome change for many Australians looking to boost their income in retirement. It is also intended to provide an alignment to the qualification age for the age pension, which is progressively rising to age 67 (from 1 July 2023).

In addition, from 1 July 2020 there will be an increased ability to make spouse contributions to super. Currently, this is only an option provided your spouse hasn't turned 70. The existing age limit will be increased to allow you to make contributions on behalf of your spouse, up to age 74.

Welfare

The Government has committed to increased funding to make more aged care spaces available for Australians in the future – an important commitment for those in need. Of more current impact however is an immediate one-off payment of $75 for individuals and $125 per couple for eligible welfare recipients to assist with their next power bill.

Concluding thoughts

Overall, the number of changes announced in this year's Federal Budget relating to financial planning and wealth are small compared to prior years. The big ticket items from the Budget are the Government's commitments to increased expenditure on infrastructure and essential services.

However, with many Australians feeling pressure from increased costs of living and the inevitable impact on tightened household budgets, the proposed acceleration of personal tax cuts is a positive, and many will look to benefit from income tax changes. It's important to remember though that any possible benefit gained is only half the story. The real question is what you do with those savings.

The most important consideration you might have right now is to ensure that you don't over-react to measures as they are still only proposals, and are subject to the Government's re-election and then the successful passage of legislation. The best thing you can do is to seek advice that is personal to your own circumstances. The first step to take is to speak with a professional adviser.