

Federal Budget Report 2018-19

What it means for you

On Tuesday 8 May 2018, the Treasurer, Scott Morrison, released the Government's 2018-19 Budget.

This year's Budget has an emphasis on retirement planning and contains several important considerations which may affect both retirees and pre-retirees, explored further below.

It's important to note that at this point in time, these proposed measures are not yet law and may be subject to change.

Personal income tax bracket thresholds

Over a seven year period the Government has proposed changes to the personal income tax thresholds and to phase-out the 37% tax rate, described in the following table:

Rate	2017-18	2018-19, 2019-20, 2020-21, 2021-22	2022-23, 2023-24	2024-25
Nil	Nil - \$18,200	Nil - \$18,200	Nil - \$18,200	Nil - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$37,000	\$18,201 - \$41,000	\$18,201 - \$41,000
32.5%	\$37,001 - \$87,000	\$37,001 - \$90,000	\$41,001 - \$120,000	\$41,001 - \$200,000
37%	\$87,001 - \$180,000	\$90,001 - \$180,000	\$120,001 - \$180,000	N/a – bracket removed
45%	\$180,000+	\$180,000+	\$180,000+	\$200,000+

Two per cent Medicare Levy retained

The Government will retain the Medicare Levy rate at 2.0% and will not proceed with the proposed increase to 2.5% of taxable income from 1 July 2019.

Low and Middle Income Tax Offset

From 1 July 2019 a new non-refundable Low and Middle Income Tax Offset (LMITO) will be introduced. The LMITO will be a temporary measure applying from 2018-19 until 2021-22. The maximum annual offset will be \$530 and will cut out for those with a taxable income above \$125,333 per annum.

Low Income Tax Offset

From 1 July 2022 the annual Low Income Tax Offset (LITO) will increase to \$645 and will cut out for those with a taxable income above \$66,667 per annum.

Increase to Medicare Levy low-income thresholds

The Medicare Levy low-income threshold will be increased as follows:

Family status	2017-18	2016-17
Single	\$21,980	\$21,655
Single, eligible for seniors and pensioners tax offset (SAPTO)	\$34,758	\$34,244
Couple	\$37,089	\$36,541
Couple, eligible for SAPTO	\$48,385	\$47,670
Additional threshold for each dependent child	\$3,406	\$3,356

Superannuation work test exemption

From 1 July 2019 the Government will introduce an exemption from the work test for voluntary contributions to superannuation. This is available for retirees aged 65 to 74 with superannuation balances below \$300,000 in the first financial year that they do not meet the work test.

The exemption will be available for 12 months from the end of the financial year in which they last met the work test.

Increasing the maximum number of members in self-managed superannuation funds

From 1 July 2019, the maximum number of members allowable in a new or existing self-managed superannuation fund (SMSF) or small APRA fund will increase from four to six.

Retirement income framework

The Government will require superannuation trustees to develop and offer members retirement income products that provide them with income for life, no matter how long they live.

The Government will consult with industry to confirm the approach and commencement date.

Means test rules for lifetime income streams

From 1 July 2019, the Government has announced new social security means test rules for lifetime retirement income stream products purchased on or after that date.

Under the proposed rules:

- 60% of the purchase price of a lifetime income stream is assessed as an asset until age 84, or a minimum of five years, thereafter 30% is assessed as an asset for the rest of a person's life; and
- A fixed 60% of all lifetime income stream payments will be assessed as income.

Grandfathering will apply for retirees who purchased a lifetime retirement income streams before 1 July 2019, meaning they will continue to be subject to the current rules. Additionally, retirees with a term and/or account-based income streams are unaffected by this measure.

Expanding the Pension Loan Scheme

From 1 July 2019, the Government will expand eligibility to the Pension Loan Scheme to include all Australians of Age Pension age. Under this measure eligible individuals can obtain a loan (secured against the individual's property) in order to receive a regular fortnightly pension payment of up to 150% of the maximum pension rate. Eligible pensioners who take up this option are able to repay the loan at any time or on the sale of the property and a fortnightly compounding interest rate of 5.25% currently applies.

Introduce an Income Test for Carer Allowance

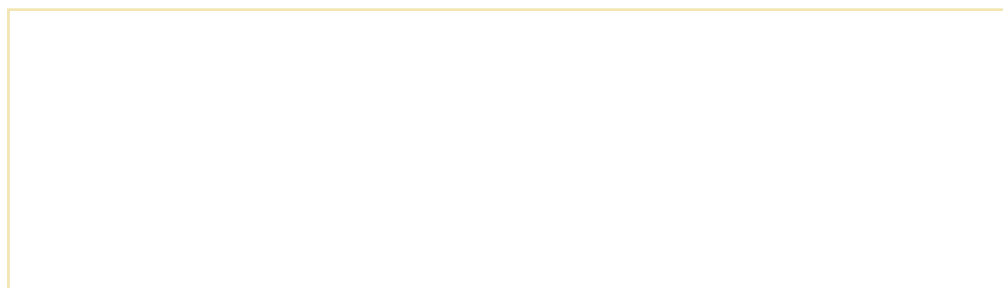
From 20 September 2018 the Government will introduce a \$250,000 annual Income Test threshold for the Carer Allowance (currently \$127.10 per fortnight) and Carer Allowance (Child) Health Care Card.

Providing better access to aged care

The Government will provide an additional 14,000 new high level home care packages over four years from 2018-19 in addition to the 6,000 high level packages previously proposed in the 2017/18 Mid-Year Economic and Fiscal Outlook.

The additional home care packages will be complemented by the release of a further 13,500 residential aged care places and 775 short term restorative care places.

For further information regarding these proposed changes, speak to your financial adviser who will look at your personal circumstances and assess how you will be affected.



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