Accurium Federal Budget Report 2019-20

Fairness, security and opportunity

On 2 April 2019 the Treasurer, Josh Frydenberg, released the Government's 2019-20 Budget featuring a forecast return to surplus, accelerated income tax cuts and a range of measures likely to impact self-managed superannuation fund (SMSF) clients.

This is a particularly interesting Budget in that it sets out the Government's agenda for a future term as it heads to an imminent election. In this light, the Opposition's Budget Reply on 4 April 2019 will also be of interest.

The Accurium Tech Team have analysed the Budget from the perspective of its impact on pre and post retirement clients, SMSF administration and retirement planning.

It is important to note that before any of these announcements can be implemented they will require the passage of legislation and they may be subject to change.

Superannuation

Improving flexibility for older Australians
The Government has announced it will allow voluntary superannuation contributions (both concessional and non-concessional) to be made by those aged 65 and 66 without meeting the work test from 1 July 2020.

People aged 65 and 66 will also be able to make up to three years of non-concessional contributions under the existing bring-forward rule.

Currently, people aged 65 to 74 can only make voluntary superannuation contributions if they meet the work test which requires working a minimum of 40 hours over a 30-day period in the relevant financial year, and those aged 65 and over currently cannot access bring-forward arrangements.

The Government has also announced that people up to and including age 74 will be able to receive spouse contributions, with those aged 65 and 66 no longer needing to meet a work test. Currently those aged 70 and over cannot receive spouse contributions.

Aligning the work test with the eligibility age for the Age Pension (scheduled to reach 67 from 1 July 2023) and increasing the age limit for spouse contributions to 74 will give older Australians greater flexibility to save for retirement.

Reducing red tape for superannuation funds
The Government has introduced measures to reduce costs and simplify reporting for superannuation funds by streamlining some administrative requirements for the calculation of exempt current pension income (ECPI).

From 1 July 2020:

- Superannuation fund trustees with interests in both the non-retirement and retirement phases during a financial year will be able to choose their preferred method of calculating ECPI; and
- Superannuation funds will not be required to obtain an actuarial certificate when calculating ECPI using the proportionate method, where all members of the fund are fully in the retirement phase for all of the financial year.

The outcome of this measure is that the administrative requirements for the calculation of ECPI will closely resemble those used in 2016-17 and prior financial years. An SMSF which has a non-retirement phase interest in a year will use the proportionate method to claim ECPI, but where eligible, fund trustees could choose to segregate assets and claim income on those assets using the segregated method.

Funds which are impacted by the disregarded small fund asset rules, but are solely in the retirement phase for all of a financial year, will no longer require an actuarial certificate to claim ECPI. This will remove the current anomaly where a fund that is 100% tax exempt may still need an actuary to certify this exemption. This is another sensible reform that Accurium has lobbied for and that was included in our submission on the original draft legislation for the 1 July 2017 Super Reforms.

Electronic superannuation release authorities for superannuation funds
From 31 March 2021 the Government will provide funding to the ATO to send electronic requests to superannuation funds for the release of money required under certain superannuation arrangements. This expands the electronic SuperStream Rollover Standard used for the transfer of information and money between employers, superannuation funds and the ATO.

The start date of SMSF rollovers in SuperStream will also be delayed until 31 March 2021 to coincide with the above expansion of SuperStream.

Protecting Your Super Package
The Government has agreed to amendments to the Protecting Your Super Package announced in the 2018-19 Budget. The amendments agreed to in this year's Budget were enacted in Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018 which received Royal Assent on 12 March 2019.

The amendments:

- extended the period after which an account that has not received any contribution is considered inactive from 13 months to 16 months
- expanded the definition of when an account is considered active for the ATO-led consolidation regime
- require the ATO to consolidate to an active account, where possible, within 28 days of receipt

The Government has made further changes to the Protecting Your Super Package currently before Parliament in Treasury Laws Amendment (Putting Members' Interests First) Bill 2019.

These changes will delay the start date for ensuring insurance within superannuation is only offered on an opt-in basis, for accounts with balances of less than $6,000 and new accounts belonging to members under the age of 25 years, to 1 October 2019.

This will ensure that retirement savings of young people and those with low balances are not unnecessarily eroded by premiums on insurance policies, and to reduce the incidence of duplicated cover.

Resolving outstanding Superannuation Complaints Tribunal (SCT) complaints
The Government will provide funding to the Australian Securities and Investments Commission (ASIC) for the SCT to resolve outstanding complaints by 31 December 2020, when the SCT will cease operations. This follows the delayed commencement of the Australian Financial Complaints Authority and will allow ASIC to manage the closure of the SCT.

Permanent tax relief for merging superannuation funds
The Government has announced it will make permanent the current tax relief for merging superannuation funds that is due to expire on 1 July 2020.

Since December 2008, tax relief has been available for superannuation funds to transfer revenue and capital losses to a new merged fund, and to defer taxation consequences on gains and losses from revenue and capital assets.

This announcement will ensure superannuation fund member balances are not affected by tax when funds merge. It will remove tax as an impediment to mergers and facilitate industry consolidation, consistent with the recommendation of the Productivity Commission's final report, 'Superannuation: Assessing Efficiency and Competitiveness'.

Taxation

Increase to the Low and Middle Income Tax Offset

The Government will increase the non-refundable Low and Middle Income Tax Offset (LMITO) for the 2018-19, 2019-20, 2020-21 and 2021-22 financial years. As illustrated in the following table the maximum offset will increase from $530 to $1,080 per annum and the base amount will increase from $200 to $255 per annum.

Taxable income	Tax offset
Nil to $37,000	Up to $255
$37,001 - $47,999	$255 + [(taxable income - $37,000) x 7.5 cents]
$48,000 - $89,999	$1,080
$90,000 - $126,000	$1,080 – [(taxable income - $90,000) x 3 cents]
$126,000+	Nil

The LMITO will be received as a lump sum on assessment after the individual lodges their tax return from 1 July 2019. The LMITO will be removed from 1 July 2022.

Changes to the Low Income Tax Offset from 1 July 2022

The Government will increase the maximum Low Income Tax Offset (LITO) from $645 to $700 per annum from 1 July 2022. As illustrated in the following table the increased LITO will reduce for taxable income above $37,500 per annum and will cut out for taxable income above $66,667 per annum.

Taxable income	Tax offset
Nil to $37,500	Up to $700
$37,500 - $45,000	$700 – [(taxable income - $37,500) x 5 cents]
$45,001 - $66,667	$325 – [(taxable income - $45,000) x 1.5 cents]
$66,667+	Nil

The LITO was previously legislated to be withdrawn at a rate of 6.5 cents per dollar between taxable income of $37,000 and $41,000 per annum and then withdrawn at a rate of 1.5 cents per dollar between taxable income of $41,000 and $66,667 per annum from 1 July 2022.

Increase the top threshold of the 19% personal income tax bracket from 1 July 2022

The Government will increase the top threshold of the 19% personal income tax bracket from $41,000 to $45,000 per annum from 1 July 2022.

The increase to the top threshold of the 19% personal income tax bracket and the changes to the LITO from 1 July 2022 will lock in the reduction in tax provided by the LMITO when the LMITO is removed from 1 July 2022.

Reducing the 32.5% marginal tax rate from 1 July 2024

The Government will reduce the 32.5% marginal tax rate to 30% from 1 July 2024. The Government has already legislated to remove the 37% personal income tax bracket from 1 July 2024.

2024-25 marginal tax rate	2024-25 tax bracket
Nil	Up to $18,200
19%	$18,201 - $45,000
30%	$45,001- $200,000
45%	$200,000+

With these changes, by 2024-25 around 94% of Australian taxpayers are projected to face a marginal tax rate of 30% or less.

Increase to Medicare Levy low-income thresholds

The 2018-19 financial year Medicare Levy low-income thresholds will be indexed for individuals and families. The threshold for singles will increase to $22,398 per annum and, for families with no children, increase to $37,794 per annum.

For individuals and couples who are eligible for the Seniors and Pensioners Tax Offset (SAPTO), the thresholds will increase to $35,418 per annum and $49,304 per annum respectively. The additional threshold amount for each dependent child or student will increase to $3,471 per annum.

	2018-19	2017-18
Single	$22,398	$21,980
Single eligible for SAPTO	$35,418	$34,758
Family	$37,794	$37,089
Couple eligible for SAPTO	$49,304	$48,385
Additional threshold for each dependent child	$3,471	$3,406

Increasing and expanding the instant asset write-off

The Government will increase the instant asset write-off threshold from $25,000 to $30,000 and expand the instant asset write off to medium sized businesses with aggregated turnover of less than $50 million from 7:30pm on 2 April 2019 (Budget night).

Small businesses (with aggregated turnover of less than $10 million) and medium sized businesses (with aggregated turnover of $10 million or more, but less than $50 million) will be able to immediately deduct purchases of eligible assets costing less than $30,000 that are first used or installed ready for use from Budget night to 30 June 2020. Medium sized businesses must also acquire these assets after Budget night to be eligible.

Social Security

Energy assistance payment

The Government has announced a one off, income tax exempt payment of $75 for singles and $125 for couples who were on a qualifying payment on 2 April 2019. The payment is to help assist with their next power bill and cost of living expenses.

Qualifying payments include:

- Age Pension/Service Pension;
- Carer Payment;
- Disability Support Pension;
- Parenting Payment Single; and
- DVA War Widow(er)s Pension, Income Support Supplement, and disability payments.

Automating the reporting of employment income

The Government has announced that from 1 July 2020, income support recipients who are employed will have their employment income shared with the Department of Human Services through Single Touch Payroll (for employers who use this system).

This will help create efficiencies with more accurate reporting of incomes, reducing the likelihood of overpayments to income support recipients.

Partner Service Pensions

The Government has announced that from 1 July 2019 they will align the eligibility to the partner Service Pension of former partners who are legally married and former de-facto partners of veterans.

Currently, former partners who are legally married will lose their pension if they have been separated for 12 months or more, unless they are Age Pension age or special domestic circumstances (including domestic violence) apply. However, de-facto partners who separate from the veteran will have their pensions cease immediately.

If legislated, both former spouses and former de-facto partners of veterans will be able to continue to receive the partner Service Pension after their relationship with their veteran partner has ended, including as a result of family or domestic violence.

Aged Care

Residential aged care subsidy increase
From 20 March 2019 to 30 June 2019 the Government is increasing funding to residential aged care providers, via the Temporary Subsidy Increase, to support the care of residents over the next 18 months as the Royal Commission takes place.

The Temporary Subsidy Increase has been in place since 20 March 2019. It effectively increases the maximum possible means-tested care fee for permanent residential aged care residents to $270.57 per day from 20 March 2019 to 30 June 2019, up from the previous amount of $249.93 per day from 20 September 2018 to 19 March 2019.

The Temporary Subsidy Increase is in addition to another additional subsidy, the Quality Care Fund additional subsidy, which is already in place from 20 September 2018 to 30 June 2019 to assist providers to transition to new quality standards.

Additional residential aged care places
In the Budget factsheet 'Supporting older Australians', the Government proposes additional funding for residential aged care by adding 13,500 residential care places.

Trial for alternative residential funding tool
For two years from 2018-19 the Government will trial a new residential care needs assessment funding tool as an alternative to the existing Aged Care Funding Instrument (ACFI).

The trial aims to address the need for a more stable, contemporary, efficient and effective funding tool and system to provide greater financial stability to both the residential aged care sector and the Government.

The new tool aims to ensure better levels of accountability and transparency in the aged care sector, ensuring people have certainty and confidence with providers.

Release of additional home care packages
The Government will provide funding from 2018-19 for the release of an additional 10,000 home care packages across the four package levels. In February 2019, the Government announced the release of these additional 10,000 home care packages across all levels which are being released from 12 February 2019 until 30 June 2020. These are in addition to the 5,000 level 3 and 5,000 level 4 packages announced in December 2018, which are being released through to 30 June 2019.

Increase to the dementia and veterans' home care supplements
The Government proposes an increase to the dementia and veterans' home care supplements from 2018-19 over five years. This measure aims to assist eligible home care recipients who require additional care to stay in their home longer. These supplements previously provided an extra 10% of the basic subsidy amount which increased to 11.5% from 20 March 2019.

The veterans' home care supplement provides additional funding for veterans with a mental health condition accepted by the Department of Veterans' Affairs (DVA) as related to their service.

The dementia and cognition supplement provides additional funding to acknowledge the extra costs of caring for people with cognitive impairment associated with dementia and other conditions.

Improve payment administration for home care
The Government proposes to improve payment administration arrangements for home care packages to address stakeholder concerns regarding unspent funds and align home care arrangements with other Government programs, such as the National Disability Insurance Scheme. The Government will consult with stakeholders on the implementation of these improved payment administration arrangements.

Commonwealth Home Support Programme
The Government will extend funding for the Commonwealth Home support Programme (CHSP). The CHSP is entry level support services and personal care at home. The CHSP can include services such as meals, nursing care, home maintenance, home modifications, aids and equipment (e.g. mobility aids) and/or community transport to assist older people to keep living independently in their own home.

Better quality of care

The Government will also:

- Strengthen aged care regulation through the establishment of a risk-based compliance and information sharing system in the Aged Care Quality and Safety Commission.
- Introduce mandatory reporting against national residential care quality indicators for pressure sores, use of physical restraint, weight loss, falls and fractures, and medication management.
- Develop an end-to-end compliance framework for the Home Care program, including the increased auditing and monitoring of home care providers.
- Commence the implementation of an enhanced home care compliance framework to improve the quality and safety of home care services and enhance the integrity of the home care system.
- Address the use of chemical restraints and the inappropriate use of antibiotics in residential aged care facilities.
- Provide additional support for the implementation of the Aged Care Workforce Strategy.
- Undertake preparatory work for the introduction of a new Serious Incident Response Scheme from July 2022, which will require residential care providers to report a broader range of incidents occurring in their facilities.

Other measures

Government response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
The Government has announced funding over five years to facilitate its response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The response includes:

- Designing and implementing an industry funded compensation scheme of last resort for consumers and small business.
- Providing the Australian Financial Complaints Authority (AFCA) with additional funding to help establish a historical redress scheme to consider eligible financial complaints dating back to 1 January 2008.
- Paying compensation owed to consumers and small businesses from legacy unpaid external dispute resolution determinations.
- Resourcing the Australian Securities and Investments Commission (ASIC) to implement its new enforcement strategy and expand its capabilities and roles in accordance with the recommendations of the Royal Commission.
- Resourcing the Australian Prudential regulation Authority (APRA) to strengthen its supervisory and enforcement activities which will support its response to key areas of concern raised by the Royal Commission, including with respect to governance, culture and remuneration.
- Establishing an independent financial regulator oversight authority, to assess and report on the effectiveness of ASIC and APRA in discharging their functions and meeting their statutory objectives.

Royal Commission into Violence, Abuse, Neglect and Exploitation of People with a Disability
The Government has also announced funding over five years to support the work of the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with a Disability including legal assistance to witnesses and counselling services and other support to people with disability in connection with their participation in the Royal Commission.

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