

What could the 2019 election outcome mean for you?



Antipodean Advisory



While the count continues to confirm whether the Coalition will hold a majority it is now clear that the Coalition will form Government.

As such it may be an opportune time to review some of the major positions that the Coalition announced and what they may mean for you.

However, whilst it is known that the Coalition will form Government, it is not yet known when Parliament will resume or how quickly the Coalition will look to implement a legislative process to formalise their proposals. Further, it may take some time for the senate results to become clear, but the Coalition is unlikely to hold a majority of seats (and therefore votes) in the Senate in its own right, it is unclear what level of negotiation (if any) will be required on any of these measures to successfully pass them through the Senate.

As a result of this, you should still exercise some caution in relation to changing your strategy before any legislation is ultimately passed.

Following is an overview of some of the proposals from the Coalition in the lead up to the 2019 Federal election.

Taxation

Personal taxation

As part of its 2019 Federal Budget announcements, the Coalition announced the following reforms to the personal marginal tax rate regime.

With effect from 1 July 2018, a low and middle income tax offset (LIMTO) will be introduced, providing additional

tax offsets (or savings) for those with taxable income up to \$126,000. It will operate as follows:

- A minimum tax offset of \$255 is available for those with taxable income up to \$37,000.
- This will gradually increase to a maximum LIMTO of \$1,080 once your taxable income reaches \$48,000.
- The maximum LIMTO will be available for those on a taxable income between \$48,000 and \$90,000.
- The LIMTO will then gradually phase until your taxable income reaches \$126,000 after which no LIMTO will be available.

The Coalition had already legislated (subsequent to the 2018 Federal Budget) for changes to take effect to the personal marginal tax rate and threshold system through to 2024/25. In this year's Federal Budget, the Coalition announced further changes.

- From 1 July 2022, the current taxable income threshold of \$37,000 where an individual moves from a 19% marginal tax rate to a 32.5% marginal tax rate will rise to \$45,000 – a \$4,000 increase in the threshold level announced in the previous Federal Budget. At the same time, the upper threshold for application of the 32.5% tax rate is scheduled to rise from \$90,000 to \$120,000 of taxable income.

Continued over...

- From 1 July 2024, the Coalition has already legislated for the existing marginal tax rate of 37.0% that would then have applied to taxable income between \$120,001 and \$180,000 to be removed, with the same marginal tax rate to then apply to taxable income between \$45,000 and \$200,000. In this year's Budget, the Coalition have indicated their intent to reduce that applicable marginal tax rate from 32.5% to 30.0% from 1 July 2024. The existing 45.0% marginal tax rate would then apply to taxable income above \$200,000 (currently this rate applies from \$180,000 of taxable income).

Business taxation

In the 2019/20 Federal Budget, the Coalition announced that small businesses would receive an extension of the ability to immediately write off (ie deduct for tax purposes) the value of an eligible asset. This immediate write down will be extended to 30 June 2020, and the write off value lifted to \$30,000 (from \$20,000) for assets purchased after 7:30pm AEST on 2 April 2019. Additionally, they proposed that the definition of a small business eligible for this will be increased from businesses valued at up to \$10 million to those valued at up to \$50 million.

Negative gearing and capital gains tax (CGT)

The Coalition haven't announced any changes to the taxation rules on negative gearing arrangements and capital gains discounting. As such the current rules allowing negative gearing deduction and a 50% CGT discount will continue to apply to those investment assets.

Refund of imputation credits

The Coalition's policy position is to allow the refund of excess imputation credits to continue, which is in contrast to the position Labor had proposed.

Superannuation

Given the significant changes that to superannuation that largely took effect from 1 July 2017, the Coalition did not make many announcements around super in the 2019/20 Federal Budget. Broadly the changes announced will, from 1 July 2020, allow someone with less than \$1.6 million in super to:

- Make contributions to super without the need to meet a work test until they turn 67. Currently the work test applies from your 65th birthday.
- Receive a spouse contribution until they turn 75. Currently, a spouse contribution can only be received until they turn 70.

Support for first home buyers

In the last week before the election, the Coalition announced a new policy aimed at assisting first home buyers.

Due to commence 1 January 2020, the Coalition has essentially said it will underwrite the amount required for eligible first home buyers to reach the 20% deposit required by most lenders. To be eligible, a person needs to have saved at least the first 5% deposit, and have an income less than \$125,000 for an individual, or \$200,000 for a couple. This will effectively remove the need for lender's mortgage insurance.

However, it's important for first home buyers to be aware that they will still need to repay the full amount borrowed, with the Government support only taking effect in the event of a default on the loan and the lender being unable to recover the full amount owing.

Further Information

Michael Clapham

Antipodean Advisory

P: 1300 101 250

E: michael@antipodeanadvisory.com

W: www.antipodeanadvisory.com