

### Budget measures for individuals

#### Tax and superannuation highlights

##### Personal tax & transfer

- Extending for 12 months the low and middle income tax offset
- Removing the \$250 threshold for self-education expenses

##### Tax issues for SMEs

- Extending for 12 months temporary full expensing and the company loss carry back
- Removing the cessation of employment as a taxing point for the tax-deferred employee share schemes
- Tax relief for small brewers and distillers
- Exempting certain storm and flood grants

##### Superannuation

- Increasing the maximum amount that can be released under the First Home Super Saver Scheme
- Removing the super guarantee \$450 per month threshold
- Reducing the eligibility age for downsizer contributions to 60
- Scrapping the work test for those aged 67 to 75 making voluntary super contributions

##### International tax

- A simpler test of residency for individuals

##### Tax administration

- Giving the AAT the power to pause or modify ATO debt recovery action in relation to disputed debts of small businesses

#### Low and middle income offset retained (again)

As widely predicted, the low and middle income tax offset (LMITO) will be retained for 2021-22, thus avoiding an effective tax increase for many taxpayers. This is how the LMITO (also called the Lamington) is calculated. The benefit will depend on a taxpayer's taxable income.

<b>Taxable income</b>	<b>Amount of LMITO</b>
\$0–\$37,000	\$255
\$37,001 - \$48,000	\$255, plus 7.5% of the excess
\$48,001 - \$90,000	\$1,080
\$90,001 - 126,000	\$1,080, less 3% of the excess
\$126,001 +	Nil

The low income offset (LITO) has not been touched. The maximum amount of the LITO is \$700, payable for taxable incomes up to \$37,500. No LITO is payable once taxable income reaches \$66,667.

<b>Taxable income</b>	<b>Amount of LITO</b>
\$0–\$37,500	\$700
\$37,501–\$45,000	\$700, less 5% of the excess
\$45,001–\$66,667	\$325, less 1.5% of the excess

## Medicare levy thresholds

The Medicare levy low-income threshold for singles for 2020–21 is \$23,226 (compared to \$22,801 for 2019–20). The family income threshold is \$39,167 (compared to \$38,474 for 2019–20), increasing by \$3,597 for each dependent child or student (compared to \$3,533 for 2019–20).

For single seniors and pensioners eligible for the senior Australians and pensioners tax offset (SAPTO), the Medicare levy low-income threshold for 2020–21 is \$36,705 (compared to \$36,056 for 2019–20). The family threshold for seniors and pensioners eligible for SAPTO is \$51,094 (compared to \$50,191 for 2019–20). The threshold increases by \$3,597 for each dependent child or student.

## No changes to tax rates

There were no changes to the income tax rates. As a reminder, the rates in the table below are legislated to apply for the 2020–21, 2021–22, 2022–23 and 2023–24 income years.

*Income tax rates 2020-21 to 2023-24 — residents*

<b>Taxable income</b>	<b>Tax rate</b>
Up to \$18,200	Nil
\$18,201–\$45,000	19%
\$45,001–\$120,000	32.5%
\$120,001–\$180,000	37%
\$180,001 and over	45%

The rates legislated to apply from 2024–25 are also unchanged. From 2024–25, a 30% rate will apply to the \$45,001–\$200,000 bracket, doing away with the 32.5% and 37% rates.

## Simplified residency test

The individual tax residency rules will be replaced with a new, modernised framework. The primary test will be straightforward – a person who is physically present in Australia for 183 days or more in any income year will be an Australian tax resident. Individuals who do not meet the primary test will be subject to secondary tests that depend on a combination of physical presence and measurable, objective criteria.

The new framework is based on recommendations made by the Board of Taxation in its 2019 report on the residency rules. It will apply from the first income year after the enabling legislation receives assent.

Working holiday makers who stay in Australia for more than 6 months will become residents under the simplified test. Will the so-called “backpacker tax” be scrapped as a consequence? The Budget papers are silent.

## Self-education expenses

The first \$250 of a prescribed course of education expense is currently not deductible. The Government will remove that limitation, with effect from the first income year after the enabling legislation receives assent.

## Pension Loans Scheme

The flexibility of the Pension Loans Scheme will be improved by providing access to advance payments through allowing participants to access up to 26 fortnights' worth of top-up payments as a lump sum and introducing a No Negative Equity Guarantee.

## New deductible donations

The Government announced 3 new organisations (DGRs) eligible to receive tax deductible donations:

- Australian Associated Press Ltd – from 1 July 2021 to 30 June 2026:
- Virtual War Memorial Limited – from 1 July 2021 to 30 June 2026:
- Scripture Union Queensland – from 1 July 2021 to 30 June 2023.

In addition, the DGR status of Cambridge Australia Scholarships Limited and Foundation 1901 Limited has been extended for 5 years (to 30 June 2026 and 31 August 2026 respectively).

## ADF personnel

A full income tax exemption will be available for the pay and allowances of Australian Defence Force (ADF) personnel deployed to Operation Paladin from 1 July 2020. Under Operation Paladin, ADF personnel are deployed in Israel, Jordan, Syria, Lebanon, and Egypt.

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