



Federal Budget Report 2020 - 2021

Taxation - Personal

Forman Financial Services Pty Ltd | ABN 81 085 198 429 | Australian Financial Services Licence 232374
Solomon Forman | Tax Agent Number 19716003 | SMSF Auditor Number 100102234 | Authorised Representative Number 234631

Suite 501, Level 5, 55 Grafton Street, Bondi Junction NSW 2022 | PO Box 1165, Bondi Junction NSW 1355
P 02 9369 2443 | F 02 9369 3987 | E admin@formanfinancialservices.com.au | W www.formanfinancialservices.com.au

Taxation

Bringing forward the personal income tax cuts from 1 July 2022

The Government will bring forward the legislated increase in the 19% and 32.5% income tax thresholds from 1 July 2022 to 1 July 2020.

Table 1: Proposed personal income tax thresholds from 1 July 2020

2020-21 marginal tax rate	2020-21 tax bracket (current)	2020-21 tax bracket (proposed)
Nil	Up to \$18,200	Up to \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$45,000
32.5%	\$37,001 - \$90,000	\$45,001 - \$120,000
37%	\$90,001 - \$180,000	\$120,001 - \$180,000
45%	\$180,000+	\$180,000+

The already legislated reduction of the 32.5% marginal tax rate to 30% and removal of 37% personal income tax bracket from 1 July 2024 remains unchanged.

Table 2: 2024-25 personal income tax rates and thresholds

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+

Bringing forward the increase of Low Income Tax Offset from 1 July 2022

The non-refundable Low Income Tax Offset (LITO) was legislated to increase from the current \$445 to \$700, starting from 1 July 2022. The legislated increase is proposed to be brought forward to 1 July 2020. 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.

Table 3: Eligibility of LITO

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

Low and Middle Income Tax Offset unchanged in the 2020-21 financial year

The Government stated that it will retain the Low and Middle Income Tax Offset (LMITO) in the 2020-21 financial year, but will not apply for 2021-22 and future years.

Table 4: Eligibility for LMITO

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 continue to be received on assessment after the individual lodges their tax return.

Increase to Medicare Levy low-income thresholds

The 2019-20 financial year Medicare Levy low-income thresholds will be indexed for individuals and families.

Table 5: Medicare Levy thresholds	2019-20	2018-19
Single	\$22,801	\$22,398
Single eligible for SAPTO	\$36,056	\$35,418
Family	\$38,474	\$37,794
Couple eligible for SAPTO	\$50,191	\$49,304
Additional threshold for each dependent child	\$3,533	\$3,471

Capital Gains Tax exemption for granny flat arrangement

Currently, Taxation Ruling 2006/14 outlines the ATO's views on potential Capital Gains Tax (CGT) implications upon a taxpayer entering, surrendering or ending life interest or granny flat types of arrangements. CGT consequences are currently an impediment to the creation of formal and legally enforceable granny flat arrangements. When faced with a potentially significant CGT liability, families often opt for informal arrangements, which can lead to financial abuse and exploitation in the event that the family relationship breaks down.

The Government will provide a targeted CGT exemption for granny flat arrangements where there is a formal written agreement. This measure is intended to remove these CGT impediments, reducing the risk of abuse to vulnerable Australians. The measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

Disclaimer and Warning

The information above is of a general nature only. It should not be used as a source to make financial decisions. It's also important to note that the legislation and figures related to this topic tend to change regularly and therefore the information above may not reflect the current status. We recommend that if you are looking for advice on this matter, you should contact [us](#).