

1st July 2020

Taxation & Financial Planning Newsletter for 2019/20

Resident Individual Tax Rates for 2019/20 and 2020/21

Taxable income	Tax on this income
\$0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 - \$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$90,001 – \$180,000	\$20,797 plus 37c for each \$1 over \$90,000
Over \$180,000	\$54,097 plus 45c for each \$1 over \$180,000

The above rates do not include the Medicare levy of 2%. Foreign residents pay tax from the first dollar earned. Minors (under age 18) pay increased rates after \$416 for non-employment income.

- ❖ 2019-20 Low Income Tax Offset of \$445 applies income up to \$37,000 and income between \$37,001 and \$66,667 offset will be \$445 minus 1.5% of excess over \$37,000. Offset will not be applicable for income above \$66,668.
- ❖ The new Low and middle-income tax offset available in 2019–20, 2020–21 & 2021–22. Maximum offset is \$1080

Taxable Income	Offset
\$37,000 or less	\$255
Between \$37,001 and \$48,000	\$255 plus 7.5 cents for every dollar above \$37,000, up to a maximum of \$1,080
Between \$48,001 and \$90,000	\$1,080
Between \$90,001 and \$126,000	\$1,080 minus 3 cents for every dollar of the amount above \$90,000

- ❖ Medicare levy of 2% is normally payable for income above \$22,801 on top of the above tax rates. In addition, Medicare levy surcharge may be payable as per the table given below.
- ❖ HECS-HELP Repayment Rate of 1-10% for Income of \$45,881-\$134,573 for 2019/20. Below \$45,881 repayment rate is NIL and maximum will be 10% for income from \$134,573 and above

Taxable income=Assessable Income (less) Allowable Deductions.

Tax credits and offsets (rebates) may directly reduce the resulting tax payable

Company and Fringe Benefit Tax Rates:

Company tax is 27.5% for small business and 30% for other companies. Fringe Benefits tax rate is 47% for FBT year ended 31 March 2020.

'Cents per Km Rates' to claim car expense up to 5000 km: The rate is **68 cents** (increased from 66 cents) per kilometre for assessable travel for 2019/20 FY. It is expected to increase to 72 cents in 2020/21 FY.

Private Health Insurance offset & Medicare levy Surcharge:

The private health insurance tax offset is reduced, and Medicare surcharge levy may be payable (if the appropriate cover is not held). In a single year, two separate PHI rebate percentages will be applied in calculating taxpayer's whole year rebate. The impact from 1 July 2019 is shown in the table below. *The offset entitlement for those below age 65

Income for surcharge purposes between	Single	\$90,000 or less	\$90,001-\$105,000	\$105,001-\$140,000	Over \$140,000
	Couple (combined)	\$180,000 or less	\$180,001-\$210,000	\$210,001-\$280,000	Over \$280,000
Medicare levy surcharge		0%	1%	1.25%	1.5%
Private health insurance offset (PHI)					
1 July 2019 to 30 June 2020		Offset entitlement 25.059%*	Offset entitlement 16.706%*	Offset entitlement 8.352%*	No offset

Superannuation:

Super Contribution Cap: The concessional contribution cap is \$25,000 for financial year 2020/21. With some scope for additional catch up contributions if meet certain conditions (please contact us).

Maximise non-concessional contributions: Personal contributions, where no tax deduction is claimed, count towards the non-concessional contributions cap. This cap is \$100,000 for 2020/21 with some bring forward provisions.

Salary Sacrifice and / or direct Member Contributions: Both reduce your assessable income & hence tax impact. Please contact us if you would like advice on these strategies.

Super Co-Contribution: The maximum co-contribution is \$500 for financial year 2020/21 for those who earn up to \$39,837 and make a personal contribution of \$1000. The co-contribution decreases on a sliding scale and ceases at \$54,837.

Spouse contributions tax offset: If you make a personal contribution on behalf of your spouse (spouse's total income must be less than \$37,000) before the end of the financial year, you will be eligible for an 18% tax off-set for contributions up to \$3,000, which means up to a \$540 tax off-set.

Low Income Superannuation Tax Off-set (LISTO): If you earn less than \$37,000, the government may pay a benefit up to \$500 directly to your super fund.

Budget 2020:

Due to COVID 19 budget is expected to be delayed until October 2020, which was scheduled to release April/May 2020.

COVID Measures:

The Govt has given increased Jobseeker allowance, which is taxable income. Some people are claiming Jobkeeper, which is also taxable. The Small business cashflow boost given to employers are tax free. Similarly, early access of Super is also tax free. The State Govt grant is taxable income. Some people have been working from home since March and they are able to claim home office expenses using 3 Methods (shortcut, fixed rate or actual). <https://www.ato.gov.au/General/COVID-19/Support-for-individuals-and-employees/Employees-working-from-home/>

Business at Palani & Associates:

We are looking to grow in Tax, Financial Planning & Mortgage Broking. Your referrals are most welcome. Ramiah as well as Arjun, Sasika & David will effectively work for your best outcomes this Tax Season.

For tax planning, financial planning & mortgage advice on creating and maximizing your wealth for the future please do not hesitate to contact us.		
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We appreciate and value your business

As Certified Practising Accountants and Licensed Financial Advisers, we specialise in helping you, our valued client to take control of your financial future and maximise benefits.

Disclaimer

We have attempted to cover a wide range of topics in this paper. However, you should not act solely based on information contained here because points are of a general nature & tax laws may apply differently depending on circumstance.