

Budget Update for Australian Federal Budget – May 2018

For distribution to authorised financial advisers only.

Below is a summary of the Australian Federal Budget announcements applicable to personal wealth and finance.

General

There were no announcements in the Australian Federal Budget that would have a material adverse impact on Friends Provident International’s propositions for Australian expatriates.

The Treasurer handed down the Budget 2018-19 on Tuesday 8th May 2018.

Personal Income Tax

The Government announced that last year’s proposal to increase the Medicare levy is to be withdrawn.

The Government has also announced a series of initiatives to reduce personal income tax for Australian residents, including an increase in the tax thresholds in 2022/23 to combat what it has called “bracket creep”. In 2024/25, the Government also plans to eliminate the 37% tax bracket, meaning that taxpayers on incomes up to \$200,000 will have a top marginal rate of 32.5%.

Current and future income tax thresholds and rates are, and will be, as follows:

Rate (%)	2017-18 (\$)	2018-19 (\$)	2022-23 (\$)	2024-25 (\$)
0%	0 - 18,200	0 - 18,200	0 - 18,200	0 - 18,200
19%	18,201 - 37,000	18,201 - 37,000	18,201 - 41,000	18,201 - 41,000
32.5%	37,001 - 87,000	37,001 - 90,000	41,001 - 120,000	41,001 - 200,000
37%	87,001 - 180,000	90,001 - 180,000	120,001 - 180,000	-
45%	>180,000	>180,000	>180,000	>200,000
Low and Middle Income Tax Offset	-	Up to 530	-	-
Low Income Tax Offset	Up to 445	Up to 445	Up to 645	Up to 645

Superannuation

Following on from significant changes in the previous two Budgets, there were no material changes to the structure of Superannuation. Several minor proposals were announced, including the following:



Insurance

Insurance in superannuation will move from default to an opt-in basis for members with balances below \$6,000, under 25 years and with inactive accounts with no contributions in 13 months. These changes will take effect from 1 July 2019.

Fees for smaller pension pots

Administration and investment fees charged by super funds will be capped at 3 percent for accounts with balances below \$6,000. Exit fees will be banned for all super accounts. These changes will take effect from 1 July 2019.

Fund Member Limit

Maximum number of members for SMSFs and Small APRA Funds (SAFs) has been increased from four to six. This will apply from 1 July 2019.

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AUS_Budget Update 05.18