



Tax Cuts 2019: Understanding Scott Morrison's \$1080 Tax Bonus

In the 2019-20 Federal Budget, the Government announced changes to tax offsets which became law and will affect all Australians.

The changes are effective immediately and are as follows:

- Wages of \$37,000 or below will receive a tax offset of \$255
- Wages between \$37,000 and \$48,000 will receive a tax offset of \$255, plus 7.5 cents per dollar earned over \$37,000 up to a maximum tax offset of \$1,080
- Wages between \$48,000 and \$90,000 will receive the tax offset of \$1,080
- Wages between \$90,000 and \$126,000 will receive the tax offset of \$1,080, less 3 cents per dollar of income earned over \$90,000

The Australian Tax Office has applied these changes to all 2019 tax returns that are lodged.

If money is owed by a taxpayer to the Department of Human Services (Centrelink) or child support the taxpayers tax refund will be used to pay off these outstanding debts first. Notification will be shown of the Notice of Assessment once the tax return has been processed. MyGov does not show if there are debts owed.

How does a tax offset work?

A tax offset reduces the amount of tax payable after all claims have been calculated. It is not a tax deduction as tax deductions are taken off your income before tax is calculated.

Tax offsets can only reduce the amount of tax payable by a taxpayer to nil. If your tax offsets are greater than your tax due, then you are eligible to get a refund of the excess tax that you have actually paid. If you didn't have any tax deducted from your wages for example, then a tax offset will not produce a greater refund as you can only ever be refunded an amount of tax you have actually paid. Your Medicare levy will not be affected by these tax offsets. You will still need to pay your Medicare levy.

Seniors and pensioners tax offset

Your tax liability may be reduced by the Seniors and Pensioners Tax Offset (SAPTO) if you have reached the Centrelink or Veteran pension age and meet the criteria. There is a range of eligibility conditions for Australian Government pensions or allowances. It's best to speak with your tax agent to see if you meet the criteria.

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Total net medical expenses for disability aids, attendant care or aged care tax offset

You may be eligible to claim a percentage of any net medical expenses relating to disability aids, attendant care or aged care as a tax offset, which is income tested. The percentage of net expenses is determined by your adjusted taxable income (ATI) and family status. The 2019 financial year is the last year that this claim will be available.

Australian superannuation income stream tax offset
If you have income from an Australian superannuation income stream, you may be entitled to a tax offset which may be equal to;

- 15% of the taxed element
- 10% of the untaxed element.

There is a limit on the amount of tax offset you're entitled to on your untaxed element. This is generally limited to \$10,000 and will not be shown on your payment summary.

You will not qualify for a tax offset for taxed elements of any super income stream you receive before you reach your preservation age, unless you receive a disability super benefit or a death benefit income stream.

Similarly, you will not qualify to receive a tax offset for the untaxed element of any super income you may receive before you turn 60 unless the super income stream is a death benefit income stream or the deceased died after they turned 60 years old.

Tax offset for super contributions on behalf of your spouse

If you make contributions to a complying super fund or a retirement savings account (RSA) on behalf of your spouse (married or de facto) who is earning a low income or not working, you may be able to claim a tax offset.

The tax offset amount reduces when your spouse's income is greater than \$37,000 and completely phases out when your spouse's income reaches \$40,000.

There are many rules and regulations when qualifying for and applying tax offsets. It's often worth the effort finding out about them because they can drastically reduce your tax bill. It's best to speak to a registered tax agent as they will be able to determine what you might be eligible for.

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