

## Taxation – General

### Personal income tax cuts brought forward

Proposed effective date: various

The government is proposing to bring forward, and retrospectively start from **1 July 2020**, the personal income tax cuts that were due to start from 1 July 2022.

The Low and Middle Income Tax Offset (LMITO) will be retained, but only until 30 June 2021. The increase in the Low Income Tax Offset (LITO) from \$445 to \$700 is also proposed to be brought forward to 2020-21.

### New proposed personal tax rates and thresholds

| Marginal tax rate <sup>(i)</sup> (%) | Thresholds – income range 2019-20 (\$) | Thresholds – income range from 2020-21, 2021-22, 2022-23, and 2023-24 (\$) | Thresholds – MTR (%) and income range from 1 July 2024 (\$) |
|--------------------------------------|--|--|---|
| 0                                    | 0 – 18,200                             | 0 – 18,200   | 0% 0 – 18,200   |
| 19                                   | 18,201 – 37,000                        | 18,201 – 45,000  | 19% 18,201 – 45,000   |
| 32.5                                 | 37,001 – 90,000                        | 45,001 – 120,000   | 30% 45,001 – 200,000  |
| 37                                   | 90,001 – 180,000                       | 120,001 – 180,000  | –   |
| 45                                   | > 180,000                              | > 180,000  | 45% > 200,000   |
| <b>LMITO</b>                         | <b>Up to 1,080</b>                     | Up to 1,080<br>(to 30 June 2021 only)                                      | –   |
| <b>LITO</b>                          | <b>Up to 445</b>                       | Up to 700  | Up to 700   |

(i) Excluding 2% Medicare Levy.

- The tax cuts already legislated to commence from 1 July 2024 remain unchanged.
- Neither LITO nor LMITO is a refundable tax offset, so they can reduce tax liability to nil but not reduce liability for Medicare levy.

### Effective tax-free threshold (2020-21):

#### Effective tax-free threshold 2020-21 (proposed)

|  |                               |
|--|-------------------------------|
| <b>LITO and LMITO</b><br>(Individuals below Age Pension age) | <b>\$23,226<sup>(i)</sup></b> |
|--|-------------------------------|

(i) Some Medicare levy may be payable.

## Removing capital gains tax (CGT) for granny flat arrangements

**Proposed effective date: 1 July 2021**

The government is proposing to provide a CGT exemption for granny flat arrangements where there is a formal written agreement to provide accommodation for older Australians or people with disabilities.

This proposed change will only apply to agreements entered into because of family relationships or other personal ties and not to commercial rental arrangements. This proposal is intended to protect the rights and interests of older Australians who enter into such residential arrangements with family members by allowing for a formal agreement, without creating the potential CGT issues that may currently arise.

### What you need to know

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