

# INDIVIDUALS

## TAX BRACKET CUTS BROUGHT FORWARD

The Government has announced that it will bring forward the second stage of its Personal Income Tax Plan by two years to 1 July 2020. These changes involve:

- Increasing the upper thresholds of the 19% personal income tax bracket to \$45,000; and
- Increasing the upper threshold of the 32.5% personal income tax bracket to \$120,000.

These changes are illustrated in the following table and are to take effect from 1 July 2020.

Rate (excludes Medicare Levy)	Current ( 2019 to 2022)	Proposed (2021 – 2024)
0%	0 - \$18,200	0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - <del>\$45,000</del>
32.5%	\$37,001 - \$90,000	\$45,001 - <del>\$120,000</del>
37%	\$90,001 - \$ 180,000	\$120,001 - \$ 180,000
45%	\$180,001 plus	\$180,001 plus

## CHANGES TO THE LOW INCOME TAX OFFSET (LITO)

From 1 July 2020, the Government will increase the maximum amount of the LITO from \$445 to \$700. Depending on the taxable income, the LITO will be reduced at the following rates:

Current LITO (2021 to 2022)		Proposed LITO (2021 to 2022)	
\$0 - \$37,000	Up to \$445	\$0 - \$37,000	Up to \$700
\$37,001 - \$66,666	\$445 – 1.5% of excess over \$37,000	\$37,001 - \$45,000	<del>\$700</del> less 5% of excess over \$37,500
\$66,667 plus	Nil	\$45,001 - \$66,666	<del>\$325</del> less 1.5% of excess over \$45,000
		\$66,667 plus	Nil

In addition to LITO, the Low and Middle Income Tax Offset (LMITO) will also be retained for the 2020-21 income year.

Taxpayers with taxable incomes of between \$48,000 and \$90,000 will receive the maximum LMITO of \$1,080 upon ATO assessment of their individual tax returns for the 2020-2021 income year.

## **CAPITAL GAINS TAX (CGT) EXEMPTION FOR GRANNY FLATS**

The Government has announced that it will put in place a “targeted” CGT exemption for granny flats where a formal agreement is in place.

Under the measure, CGT will not apply to the creation, variation or termination of a granny flat arrangement providing accommodation where there is a formal written agreement in place. The Budget states that it will apply to arrangements that provide accommodation for "older Australians or those with a disability".

The exemption will not be available for a property that is not the principal home of the taxpayer (eg a rental property that happens to contain a granny flat).