

Mortgage Choice 2019 Federal Budget Analysis

After over a decade in the red, the 2019 Federal Budget is back in black and will deliver a surplus of \$7.1 billion next financial year, Treasurer Josh Frydenberg announced last night.

Mortgage Choice franchise owner Scott Partridge said, "Mr Frydenberg has handed down what many are describing as an 'election year' budget".

"However, Australians are well aware that the likelihood of these budget initiatives are subject to the Coalition winning the upcoming Federal election, which is due to be called in a matter of days".

Personal Tax Cuts

The winners to come out of the Federal Budget are low and middle income earning Australians who under the Coalition will see personal tax cuts amounting to \$1,080 a year for individuals and \$2,160 a year for dual income families. These tax cuts have largely been achieved through the low and middle income tax offset pledged in last year's Budget, which are due to take effect from 1 July 2019.

The offset will be available for the 2018-19, 2019-20, 2020-21 and 2021-22 income years. After allowing for the tax cuts announced in last year's budget, the tax savings will have the following impact:

\$18,201-\$37,000 – Tax relief of up to \$255.

\$37,001-\$48,000 – Tax relief between \$255 and \$1,080.

\$48,001-\$90,000 – Full tax relief of \$1,080.

\$90,001-\$126,000 – Tax relief gradually reduces from \$1,080 to \$0.

Over \$126,000 – No tax relief in the current Budget. Last year's Budget delivered a modest tax cut of \$135.

"These tax cuts may be modest but for Australians feeling the pinch of higher living costs the extra cash can be put into your mortgage to reduce the principal and interest payments; or it can boost your savings and go towards your deposit for your first home," said Mr Partridge.

Infrastructure boost and the housing sector

Mr Partridge said, "Unfortunately, this was not the Federal Budget for homeowners or the property sector as no initiatives were announced that provide direct stimulus to the property market. That being said, policy measures which improve infrastructure can have a positive long-term impact on housing affordability.

"The \$500 million fund to invest in car parks at train stations will reduce traffic, allow for more affordable commutes and significantly reduce travel times to metro centres across the country.

"The Budget also includes \$3.5 billion for the first stage of the Western Sydney Rail North South Rail Link and \$2 billion for fast rail from Geelong to Melbourne.

"With the current softening in property prices this investment may have a positive double whammy effect for working families who can achieve a better work life balance and increase their chances at achieving the Australian dream of owning a house on a quarter acre block," said Ms Mitchell.

Small business owners

The popular instant asset write off for small businesses has been extended until June 30, 2020. The write off was used by over 350,000 small businesses across the country last year, which has led the government to announce an increase to the threshold from \$25,000 to \$30,000. In addition, write off has now been extended to medium-sized enterprises with a turnover of up to \$50 million.

Around 3.4 billion businesses employing around 7.7 million workers stand to benefit from the instant asset write off, which may serve to stimulate the economy.

Encouragingly, it is no longer limited to a single purchase, which means small business owners will be able to claim the write off each time they purchase an asset under \$30,000.

Superannuation

The Treasurer also announced more superannuation tweaks that allow Australians to contribute more to super, and for longer. From 2020-21, 65 and 66-year olds will be able to make voluntary superannuation contributions without meeting the current work test.

The same demographic will be permitted to make three years' worth of non-concessional super contributions, currently capped at \$100,000 annually. At present, only under-65s can access this arrangements. The age limit for spousal contributions will be raised from the current level of 69 to 74 years.

These build upon the existing Superannuation policy brought in from 1 July 2017, which placed a \$1.6 million transfer balance cap on the total amount of accumulated superannuation an individual can transfer into the tax-free retirement phase. The transfer balance cap is indexed and will grow in line with CPI, meaning the cap will be around \$1.7 million in 2020-21.

Conclusion

"All in all, this was a Federal Budget to appeal to the masses and to neutralise some of the benefits that voters would gain under Labor. Now it's up to the Australian public who go to the polls next month to decide if this Federal Budget will become the country's new economic template from which to drive sustainable growth," concluded Mr Partridge..

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