

# BIPO TIMES



## Changes to the Australian Income Tax

### Australia in Brief

Consistently ranked as one of the strongest advanced economies in the Organization for Economic Co-operation and Development (OECD), Australia enjoys a consistently high standard of living.

Ranked second in the United Nations Human Development Report 2014, the country is the fourth largest economy in Asia and the twelfth largest in the world.

<b>Capital</b> Canberra	<b>Population</b> 23.94 million (as at Dec 2015)
<b>Currency</b> Australian Dollar (AUD)	<b>GDP Per Capita</b> AUD64,660 (as at 2013)

**AUSTRALIA**

Source: [About Australia, The Australian Government](#)

### Overview

In the 2018 Federal Budget, the coalition government of Australia announced the Personal Income Tax Plan (a seven-year plan of income tax cuts) that became a law on 21 June 2018. Subsequently in the 2019 Federal Budget, the government proposed further cuts, which passed through parliament on 4 July 2019, and will soon become a law.

Source: [SuperGuide](#)

### Residency for Tax Purposes

A resident for tax purposes does not have to be an Australian citizen or a permanent resident for immigration purposes.

## Residency Tests

To be considered an Australian resident, you will need to fulfil any one of these tests :

Resides Test	Domicile Test	183-Day Test	Superannuation Fund Test
If you dwell permanently, or for a considerable amount of time in Australia.	If your domicile* is Australia.  *place considered your permanent home by law, be it by origin (where you were born) or by choice (where you have changed your home with the intent of making it permanent	If you spend over half the year in Australia.	Applies to certain Australian Government employees who are eligible to contribute to the Public Sector Superannuation Scheme or the Commonwealth Superannuation Scheme

Source: [Australian Government – Taxation Office](#)

## Residency and Tax

An individual will fit into one of these categories:

Australian Resident	Foreign Residents	Temporary Residents
<p>Satisfying any of the above residency tests qualifies you as an Australian resident for tax purposes.</p> <ul style="list-style-type: none"> <li>You have to declare all worldwide income even if you have already paid tax on it overseas. A foreign income tax offset is generally available to reduce the Australian tax on the same income</li> </ul>	<p>If you do not satisfy any of the residency tests, you are considered a foreign resident.</p> <ul style="list-style-type: none"> <li>You have no tax-free threshold and do not pay the Medicare levy.</li> <li>You must still declare any income derived in Australia, including any capital gains on taxable Australian property in your Australian tax return.</li> </ul>	<p>If you hold a temporary visa and neither you or your spouse is an Australian resident.</p> <ul style="list-style-type: none"> <li>You only need to declare income derived in Australia, plus any income earned from employment or services performed overseas while you are a temporary resident of Australia.</li> <li>Other foreign income and capital gains do not have to be declared.</li> </ul>

Source: [Australian Government – Taxation Office](#)

## Income Classification

Generally classified into there common areas :

Assessable Income	Exempt Income	Taxable Income
<p><b>Income that is taxable.</b></p> <p>Examples :</p> <ul style="list-style-type: none"> <li>salary and wages</li> <li>tips, gratuities and other payments for your services</li> <li>allowances like car, travel, clothing and laundry</li> <li>interest from bank accounts</li> <li>dividends and other income from investments</li> <li>bonuses and overtime an employee receives</li> <li>commission a salesperson receives</li> <li>pensions</li> <li>rent</li> </ul>	<p><b>Income that cannot be taxed.</b></p> <p>Examples :</p> <ul style="list-style-type: none"> <li>some government pensions and payments, including the invalidity pension</li> <li>some education payments.</li> </ul>	<p><b>Income you have to pay tax on.</b></p> <p style="text-align: center;"><b>Assessable income</b> <b>Less allowable deductions</b> <b>= Taxable income</b></p> <p>Note: Deductions are applied to reduce the amount of income you pay tax on, you do not deduct them directly from your tax amount.</p>

Source: [Australian Government – Taxation Office](#)

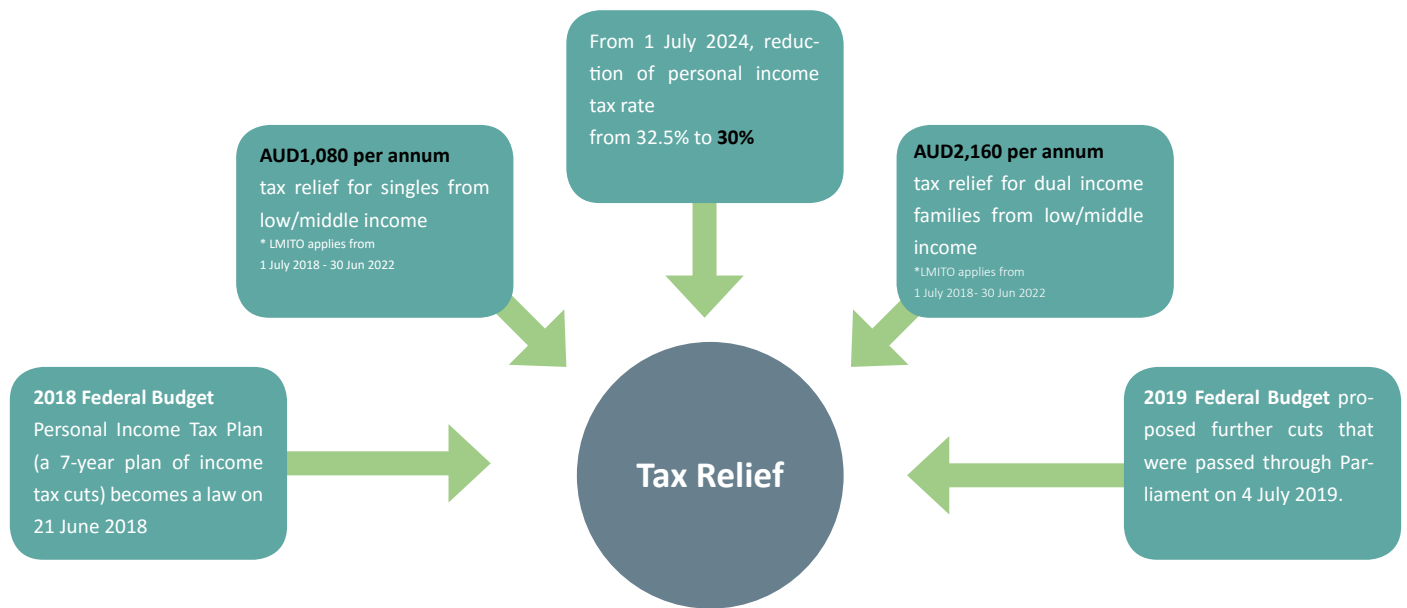
## Income You Must Declare

Income received for each financial year must be declared :

- Employment income
- Super pensions, annuities and government payments
- Investment income (includes interest, dividends, rent and capital gains tax)
- Business, partnership and trust income
- Foreign income
- Crowdfunding
- The sharing economy and tax
- Other income (includes compensation and insurance payments, discounted share under employee share schemes, prizes and awards).

## Tax Relief

Considered one of the highest progressive tax rates in the region, Australia's taxation system relies heavily on personal income taxes.



\*Refers to Low and Middle Income Tax Offset and Low Income Tax Offset (LMITO)

## About the LMITO (Low and Middle Income Tax Offset)

- In the 2019 Federal Budget, the coalition government proposed income tax cuts, building on the Personal Income Tax Plan announced in the 2018 Federal Budget. These have now passed Parliament and will soon be legislated.
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### Who

- Depends on a person's taxable income
- If taxable income is at or below AUD125,333, they will be eligible for some LMITO

### What

- Helps low and middle income earners lower the amount of taxes they need to pay

### When

- Temporary measure
- Four financial years between 1 July 2018 and 30 June 2020

### How

- Tax offset
- Used to lower the amount of tax a person owes, not to generate or pay Medicare Levy

### What's Next

- From 1 July 2020, the LITO will be increased
- 32.%% tax bracket expanded from USD90K to AUD120K, which will supersede and replace the effect of LMITO

Source: [PwC Australia – Federal Budget Insights – Personal Tax](#)

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## LMITO Calculation

Taxable Income (AUD)	Revised amount of the LMITO (AUD)
37,000 or less	255
37,001 to 48,000	255 plus 7.5% of excess over 37,000
48,001 to 90,000	1080
90,001 to 126,000	1,080 less 3% per cent of excess over 90,000

## Current Personal Income Tax Rates

Taxable Income (AUD)	Tax on this income
0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 over \$18,200
\$37,001 - \$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$90,001 - \$180,000	\$20,797 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$54,097 plus 45c for each \$1 over \$180,000

## Personal Income Tax Rates Under New Plan

Rate	From 1 July 2018 income range (A\$)	From 1 July 2022 income range (A\$)	From 1 July 2024 income range (A\$)
Tax Free	0 – 18,200	0 – 18,200	0 – 18,200
19%	18,201 – 37,000	18,201 – 41,000	18,201 – 41,000
32.5%	37,001 – 90,000	41,001 – 120,000	41,001 – 200,000
37%	90,001 – 180,000	90,001 – 180,000	-
45%	>180,000	>180,000	>200,000
New Low and Middle Income Tax Offset	Up to 530	-	-
Current Low Income Tax Offset	Up to 445	-	-
New Low Income Tax Offset		Up to 645	Up to 645

Source: [PwC Australia – Federal Budget Insights – Personal Tax](#)



## Shanghai | China

### BIPO Awarded “Global Service Provider” in China

A great start to 2020 with BIPO China gaining recognition as a “Global Service Provider” by the Shanghai Municipal Human Resources and Social Security Bureau and Jing’an District People’s Government.

To-date a total of 48 enterprises comprising leading Human Resource agencies, consulting firms, accounting firms and law firms have been awarded this prestigious title that recognizes businesses across China for their expertise in bringing together both international and domestic market resources, acting as a bridge between China and the global business community.

Of these 48 enterprises, BIPO was one of the 10 pioneer companies to have received the award in 2019. The award serves as a testament of BIPO’s global reach in the area of HR services and HR technology.



## Asia

Across Asia, BIPO celebrated the Year of the Rat in style. With the customary Lohei (Yusheng) lunch toss for good luck and prosperity in Malaysia and Singapore. In Vietnam, celebrations took a traditional turn as our team ushered the new year with co-ordinated outfits. While in Indonesia, red was the lucky colour to mark all things auspicious, filled with abundance.



## About Us

BIPO is a leading one-stop human resources provider in Asia Pacific, focused on providing organisations with innovative ways to manage complex end-to-end HR processes. Through our cloud and mobile-based Human Resources Management system as well as industry-leading solutions such as Payroll Outsourcing, Attendance Automation, Business Intelligence, HR Consulting, Recruitment & Business Process Outsourcing and Flexible Employee Management, we help companies transform their HR operations to and beyond their expectations, while achieving business goals related to cost and profitability.

Founded in 2004, our APAC headquarters is in Singapore and R&D centre in Indonesia. We have offices in Australia, China, Hong Kong, India, Japan, New Zealand, Philippines, Vietnam, Taiwan and Thailand with business links in over 10 countries and regions.

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