



10 May, 2018

## Custom Fleet’s 2018 Federal Budget Insights

Some of the highlights from the 2018 Federal Budget include a projected return to surplus by 2019/20, increased infrastructure spending, tax cuts, superannuation changes and possibly cheaper craft beer!

And for the fleet industry and its customers, more relevant initiatives include:

- The Government intends to eventually scrap the 37% tax bracket. In a move to simplify rates, a flat tax rate of 32.5% is proposed to be introduced for all taxpayers earning between \$41,000 and \$200,000. The table below has further details:

Rate (%)	Current tax thresholds Income range (\$)	Thresholds from 1 July 2018 Income range (\$)	Thresholds from 1 July 2022 Income range (\$)	Thresholds from 1 July 2024 Income range (\$)
Tax free	0 – 18,200	0 – 18,200	0 – 18,200	0 – 18,200
19	18,201 – 37,000	18,201 – 37,000	18,201 – 41,000	18,201 – 41,000
32.5	37,001 – 87,000	37,001 – 90,000	41,001 – 120,000	41,001 – 200,000
37	87,001 – 180,000	90,001 – 180,000	120,001 – 180,000	
45	Greater than 180,000	Greater than 180,000	Greater than 180,000	Greater than 200,000

- The Medicare levy was expected to increase from 2% (of taxable income) to 2.5% from 1 July 2019. However, this proposed increase was scrapped which is good news from a FBT perspective (i.e. no corresponding FBT rate increase)
- The Government has announced that it is committed to extending corporate tax cuts to all companies to make Australia a more competitive landscape
- An extension until 30 June 2019 for small businesses (entities with an aggregated annual turnover of less than \$10 million) to immediately deduct eligible assets costing less than \$20,000
- There are no signs of abolishing the Luxury Car Tax (LCT). The Government has only proposed removing the LCT on cars re-imported into Australia following a refurbishment overseas.

In addition, some key tax considerations relevant to the fleet industry include:

- Leasing continues to be an attractive source of financing as lease payments are typically fully tax deductible
- Salary sacrificing for novated leases continue to be an attractive strategy to achieve cost savings, especially in relation to GST savings.

You can access the full budget release via the below link:

<https://www.budget.gov.au/>

If you have any questions/comments, please do not hesitate to contact our Tax Team at:

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