

A tax boost for low and middle income earners

If you or anyone you know are earning income at lower or middle income levels, there's a new tax offset that has been available since July 1 that was originally announced in the 2018 federal budget last May. But no-one will see any benefit from the new Low and Middle Income Tax Offset (LMITO) until about a year from now, when a lump sum credit will be recorded in next income year's tax assessment, courtesy of the ATO.

LMITO, like all tax offsets, reduces the amount of income tax payable on your taxable income. It is intended to be an adjustment made in arrears — that is, applied each year with the annual income tax assessment.

LMITO is aimed to complement the existing Low Income Tax Offset for those taxpayers a rung or so up the pay ladder. But the non-refundable offset is not to be a permanent fixture in the tax landscape, as it is scheduled to expire at the end of the 2021-22 financial year.

Taxpayers with taxable income of \$37,000 a year or less will enjoy benefits of a value up to \$200, while those with assessable income of between \$37,000 and \$48,000 have access to an increasing rate of three cents in the dollar up to a maximum benefit of \$530.

But the offset doesn't stop at income of \$48,000. Although the maximum amount of offset is fixed at \$530, it is available up to an assessable income level of \$90,000.

Thereafter (up to \$125,333) it phases out at a rate of 1.5 cents per dollar.

LMITO is planned to dissolve after 30 June 2022 as its affect will be built in to adjusted tax rates at that time (assuming successive governments do not change the intended passage of these arrangements).