

Budget Summary 2020/21

The Federal Budget has presented an opportunity to take stock of the cumulative effect of both the health and economic crisis we are currently facing.

This historic budget has announced enormous support to business and individuals through the pandemic with the prime focus of rebuilding our economy.

Summary:

Taxation

- Threshold for the 19 percent tax rate will be lifted to \$45,000 and the 32.5 percent threshold to \$120,000.
- Tax cuts brought forward two years to be backdated to 1 July 2020.
- Low and middle-income tax offset of \$1,080 kept for an extra year.
- Flattening of the rate for those earning between \$45,000 - \$200,000 from 1 July 2020.
- Capital Gains Tax removed for granny flats.

Business

- Instant asset write-offs expanded to businesses with turnover of up to \$5 billion until June 30, 2022.
- Small and medium business can carry back losses incurred to June 30, 2022 to offset profits booked since 2018-19.
- Extending tax concessions for small business.

Employment

- New JobMaker hiring credit to encourage business to employ younger workers, paid for a year at \$200 a week for those aged 16 to 29 years old or \$100 a week for those aged 30 to 55 years old.
- New hires must work at least 20 hours a week to be eligible for JobMaker.

Health

- Mental health focus to double the number of Medicare-funded psychological services from 10 to 20 consultations.
- Funding of \$1.7 billion for COVID-19 vaccines, plus \$24.7 million to ensure there are enough syringes to deliver shots when they are available.
- Additional 23,000 aged home care packages at a cost of \$1.6 billion.

Education

- Wage subsidy for apprentices and trainees to be extended for new hires at a cost of \$1.2 billion over the next four years.
- \$1 billion in extra research funding for universities in the next year, plus nearly \$300 million for 12,000 new undergraduate places in 2021.
- \$251.8 million over two years for 50,000 new higher education short courses in agriculture, health, IT, science, and teaching.

Infrastructure

- Adding \$10 billion to build and upgrade roads, rail, and bridges as part of the decade-long infrastructure plan.
- Extra \$2 billion for road safety upgrades and \$1 billion for local councils to upgrade local roads, footpaths, and street lighting – all on a “use it or lose it” basis.
- A new 10-year rolling plan of priority water infrastructure projects will be developed with \$2 billion set aside for dams, weirs, and pipelines.

Note: These changes are proposals only and may or may not be made law

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Full Summary - Taxation, Business & Employment

Taxation

Personal Income Tax Cuts

Proposed Effective date: 1 July 2020

The Government has announced that it will bring forward Stage Two of its already legislated personal income tax cuts which will now commence from 1 July 2020 instead of the original start date of 1 July 2022.

Stage Three of the Personal Income Tax Plan remains unchanged and is currently due to commence from 1 July 2022.

The following table summarises the tax rates and thresholds applicable in Stage Two and Three:

Thresholds:	Current	Proposed	
Tax rate (excluding Medicare)	From 1 July 2018	From 1 July 2020 (previously from 1 July 2022)	From 1 July 2024 (unchanged)
0%	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$45,000	\$18,201 - \$45,000
30%			\$45,001 - \$200,000
32.5%	\$37,001 - \$90,000	\$45,001 - \$120,000	
37%	\$90,001 - \$180,000	\$120,001 - \$180,000	
45%	> \$180,000	> \$180,000	> \$200,000

Low Income Tax Offset (LITO) & Low- and Middle-Income Tax Offset (LMITO)

The Government has also announced that the legislated increase to the Low Income Tax Offset from \$445 to \$700 will be brought forward to 1 July 2020 instead of 1 July 2022.

The Low- and Middle-Income Tax Offset (LMITO) will continue as a one-off additional benefit during the 2020-21 tax year.

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The below table summarises the Low-Income Tax Offset (LITO)

Taxable Income (\$)	Amount of the LITO from 1 July 2020 (\$)
37,500 or less	700
37,501 to 45,000	700 less 5 per cent of excess over 37,500
45,001 to 66,667	325 less 1.5 per cent of excess over 45,000

The below table summarises the Low- and Middle-Income Tax Offset (LMITO)

Taxable Income (\$)	Amount of the LMITO from 1 July 2020 (\$)
37,000 or less	700
37,001 to 48,000	255 plus 7.5 per cent of excess over 37,000
48,001 to 90,000	1,080
90,001 to 126,000	1,080 less 3.0 per cent of excess over 90,000

The proposed tax cuts should clear the way for necessary adjustments to be made to Pay-As-You-Go (PAYG) withholding tax tables for employers to apply from employees' salary and wages, giving many employees more in their take-home pay as early as 1 November 2020 potentially.

The back-dating of the tax cuts to 1 July 2020 will however mean that for some, they will only receive the full benefit of the reduced income tax on their earnings to date following lodgement of their 2021 income tax returns after June 2021.

Capital Gains Tax removed for granny flats

Proposed Effective date: 1 July 2021

An exemption for granny flat arrangements have been announced where there is a formal written agreement for a family member to reside on the relevant property (either in the same home or a separate building).

The exemption will apply to arrangements with older Australians or those with a disability.

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Business

Instant asset write-off

Proposed Effective date: 6 October 2020

The Government will extend the tax incentives that currently apply to business capital investment announced early this year as part of the COVID-19 stimulus package, with the aim of driving investment and jobs growth.

This write-off will support businesses with aggregated annual turnover of less than \$5 billion. It will enable eligible businesses to claim a tax deduction for the full cost of eligible capital assets.

The following table summarises these measures:

Aggregated annual turnover (\$)	Less than \$5 billion	Less than \$50 million
Tax Deduction	Full cost of eligible capital assets in the year of first use for: - new depreciable assets, and - the cost of improvements to existing eligible assets.	Full cost of eligible capital assets in the year of first use for: - new or second-hand depreciable assets, and - the cost of improvements to existing eligible assets.
Acquired from:	7:30pm AEDT on 6 October 2020 (Budget night)	
First used or installed by:	30 June 2022	

Business with aggregated annual turnover between \$50 million and \$500 million can still deduct the full cost of eligible second-hand assets costing less than \$150,000 that are purchased by 31 December 2020 under the existing instant asset write-off.

Businesses that have acquired assets eligible for the pre-existing enhanced \$150,000 instant asset write-off will have an extra six months, until 30 June 2021, to first use or install those assets.

Small businesses (with aggregated annual turnover of less than \$10 million) can deduct the balance of their simplified depreciation pool at the end of the income year until 30 June 2022. The provisions which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out will continue to be suspended.

Loss carry back – small and medium business

The Government will introduce a temporary loss carry-back measure to support businesses with an aggregated turnover of less than \$5 billion suffering a temporary hit as a result of the COVID-19 pandemic.

It will allow businesses to choose to “carry back” tax losses to be offset against tax paid in a previous income year to generate a tax refund.

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A business will be able to obtain a refundable tax offset in a loss year against previously taxed profits, subject to satisfying certain conditions. The offset is uncapped. However, the amount carried back cannot be more than the earlier taxed profits and the carry back cannot generate a franking account deficit.

Losses incurred in the 2019-20, 2020-21, and 2021-22 income years will be able to be carried back and offset against taxed profits from the 2018-19 or later income years only.

Extending tax concessions for small business

Proposed Effective dates: 1 July 2020, 1 April 2021 & 1 July 2021

Small business tax concessions will apply to businesses with aggregated annual turnover between \$10 million and \$50 million.

The expanded concessions, which will apply in three phases are summarised in the following table:

Taxable Income (\$)	Aggregated annual turnover less than \$5 billion
From 1 July 2020	• Immediate deduction for certain capital start-up expenses including costs of establishing a business entity, raising equity, or seeking advice relating to business restructuring or expansion. • Immediate deduction for certain prepaid expenditure such as rents, interest, leasing.
From 1 April 2021	• Fringe benefits tax (FBT) exemption on provision of certain car parking and multiple work-related portable electronic devices, such as phones or laptops, provided to employees (see further below).
From 1 July 2021	• Access to the simplified trading stock rules which means no need to undertake a year-end stock take if the estimated difference between the value of all trading stock on hand at the start and end of the year is not more than \$5,000. • Ability to remit pay as you go (PAYG) instalments based on GDP-adjusted notional tax instead of paying based on actual instalment income. • Ability to settle excise duty and excise-equivalent customs duty monthly (instead of weekly) on eligible goods. • Two-year period for the amendment of income tax assessments for income years starting from 1 July 2021, however this excludes entities that have significant international tax dealings or particularly complex affairs. • A simplified accounting method to apply for goods and services tax (GST) purposes.

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Employment

JobMaker Hiring Credit

Proposed Effective date: 7 October 2020 until 5 October 2021

The Government has created the “JobMaker Hiring Credit” to support jobs growth for those aged under 35 and under.

To be eligible, employers must show that the new employee will increase the overall employee headcount and payroll, using total headcount on 30 September 2020 and total payroll in the three months to 30 September 2020 as the base line. Special rules apply to newly established businesses and business with no employees as at 30 September 2020.

The credit will be available to most eligible employers regardless of size and there is no fall in turnover requirement to be satisfied.

Employers will receive:

- \$200 per week for those aged 16 – 29 years old, or
- \$100 per week for those aged 30 – 35 years old

The credit will be paid for 12 months from the date of employment up to a maximum amount of \$10,400 per additional new position created.

To be eligible, the employee must have worked for a minimum of 20 hours per week, averaged over a quarter, and received the JobSeeker Payment, Youth Allowance or Parenting Payment for at least one month out of three months prior to when they are hired.

Employers will claim the credit quarterly in arrears from the Australian Taxation Office (ATO) commencing from 1 February 2021 (for new jobs created in the first reporting period of 7 October 2020 to 6 January 2021), and will be required to report quarterly that they meet the eligibility requirements.

If you have any questions, please contact the office on (03) 9670 6070.

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