

PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

2020 Federal Budget Newsletter

Treasurer Josh Frydenberg unveiled the 2020 Federal Budget on Tuesday, announcing a range of programs and incentives to rescue the Australian economy from its worst downturn since the Great Depression.

The budget focused on boosting consumer and business confidence, growing the economy and creating jobs.

Some key points of the budget include:

Changes to individual income tax rates

The Government has announced that changes to the personal income tax rates that were scheduled to apply from 1 July 2022 will now be brought forward and backdated to 1 July 2020.

These changes involve:

- increasing the upper threshold of the 19% personal income tax bracket from \$37,000 to \$45,000; and
- increasing the upper threshold of the 32.5% personal income tax bracket from \$90,000 to \$120,000.

These changes, which excludes the Medicare Levy, are shown below:

Tax Rate	Current	Proposed
0%	\$0 - \$18,200	\$0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$45,000
32.5%	\$37,001 - \$90,000	\$45,001 - \$120,000
37%	\$90,001 - \$180,000	\$120,001 - \$180,000
45%	\$180,001 +	\$180,001 +

Changes to Low Income Tax Offset

Along with bringing forward changes in individual tax rates from 1 July 2022 to 1 July 2020, the Government also announced that they were bringing forward changes to the Low Income Tax Offset to 1 July 2020 including:

- The maximum LITO will be increased from \$445 to \$700.
- The increased (maximum) LITO will be reduced at a rate of 5 cents per dollar, for taxable incomes between \$37,500 and \$45,000.
- The LITO will be reduced at a rate of 1.5 cents per dollar, for taxable incomes between \$45,000 and \$66,667.

These changes are highlighted in the table below:

Current Low Income Tax Offset		Proposed Low Income Tax Offset	
\$0 - \$37,000	Up to \$445	\$0 - \$37,500	Up to \$700
\$37,001 - \$66,666	\$445 less 1.5% of excess over \$37,000	\$37,501 - \$45,000	\$700 less 5% of excess over \$37,500
\$66,667 +	Nil	\$45,001 to \$66,666	\$325 less 1.5% excess over \$45,001
		\$66,667 +	Nil

JobMaker Hiring Credit

From 7 October 2020, eligible employers will be able to claim \$200 a week for each additional eligible employee they hire aged 16 to 29 years old and \$100 a week for each additional eligible employee aged 30 to 35 years old. New jobs created until 6 October 2021 will attract the credit for up to 12 months from the date the new position is created.

As is the case with JobKeeper, the JobMaker Hiring Credit will be claimed quarterly in arrears by the employer from the ATO. Employers will need to report quarterly that they meet the eligibility criteria.

The amount of the credit is capped at \$10,400 for each additional new position created.

To be an **'eligible employee'**, the employee must:

- be aged (i.e., at the time their employment started) either:
 - 16 to 29 years old, to attract the payment of \$200 per week; or
 - 30 to 35 years old to attract the payment of \$100 per week;
- have worked at least 20 paid hours per week on average for the full weeks they were employed over the reporting period;
- have commenced their employment during the period from 7 October 2020 to 6 October 2021;
- have received the Jobseeker Payment, Youth Allowance (Other), or Parenting Payment for at least one month within the past three months before they were hired; and
- be in their first year of employment with this employer and must be employed for the period that the employer is claiming for them.

Certain exclusions apply, including employees for whom the employer is also receiving a wage subsidy under another Commonwealth program.

To be an **'eligible employer'**, the employer must:

- have an ABN;
- be up to date with tax lodgement obligations;
- be registered for Pay As You Go withholding;
- be reporting through Single Touch Payroll;
- be claiming in respect of an 'eligible employee';
- kept adequate records of the paid hours worked by the employee they are claiming the hiring credit in respect of; and
- be able to demonstrate that the credit is claimed in respect of an additional job that has been created (i.e there must be an increase in the business' total employee headcount and also in the payroll of the business)

Employers do not need to satisfy a fall in turnover test to access the JobMaker Hiring Credit.

Certain employers are excluded, including those who are claiming the JobKeeper payment. New employers created after 30 September 2020 are not eligible for the first employee hired but are potentially eligible for the second and subsequent eligible hires.

Victorian Business Support Grants now tax free

The Federal Government announced that the Victorian Business Support Grants for small and medium businesses are now tax free. This is only limited to grants announced by the Victorian Government on or after 13 September 2020 and for payments made after September 2020 to 30 June 2021.

No announcement as yet has been made by the Federal Government of a change in tax treatment for grants issued by other States and Territories.

Changes to instant asset write-off rules for depreciable assets

Businesses with an aggregated annual turnover of less than \$5 billion will be able to claim an immediate deduction for the **full cost** of an eligible depreciable asset. This is on the condition that the asset:

- Was acquired from 7:30pm AEDT on 6 October 2020
- Was installed and ready for use by 30 June 2022
- Is a new depreciable asset of the cost of improving an existing depreciable asset

Furthermore, small businesses with an aggregated turnover of under \$10 million can deduct the full balance of their general depreciation pool at the end of the 2021 and 2022 income years.

Loss carry back for eligible companies

Companies that made tax losses in the 2020, 2021 and 2022 financial years will be able to offset these losses against profits made in the 2019 financial year.

This will allow companies to obtain refundable tax offsets in the year the loss was made against tax they paid in the 2019 financial year.

The refund will be available upon lodgement of the eligible company's 2021 or 2022 tax returns when they elect to carry those losses back.

Wage subsidies for apprenticeships

Under the 'Boosting Apprenticeship Commencements' program announced by the Federal Government, businesses that hire a new Australian apprentice or trainee from 6 October 2020 will qualify for a 50% wage subsidy.

This wage subsidy is available to businesses of all sizes, in all industries and locations until a cap of 100,000 applicants is reached.

Subsidies of 50% of the wage of a new or recommencing apprentice or trainee will be available up until 30 September 2021 to value of up to \$7,000 a quarter.

Age pension cash payments

Age pensioners will receive two additional cash payments totalling \$500 by March 2021. This will be in the form of a \$250 payment in December 2020 and a \$250 payment in March 2021.

Superannuation reform

From 1 July 2021, the proposed reforms will make the system better for members in four key ways:

- **Your superannuation follows you** – An existing superannuation account will be 'stapled' to a member to avoid the creation of a new account when that person changes their employment.
- **Empowering members** – A new, interactive, online YourSuper comparison tool will help members decide which super product best meets their needs.
- **Holding funds to account for underperformance** – MySuper products will be subject to an annual performance test. Funds that underperform will need to inform their members. Funds that fail two consecutive underperformance tests will not be permitted to receive new members unless their performance improves. By 1 July 2022, annual performance tests will be extended to other superannuation products.
- **Increased accountability and transparency** – The Government will strengthen obligations on superannuation trustees to ensure their actions are consistent with members' retirement savings being maximised. For example, trustees will be required to comply with a new duty to act in the best financial interests of members

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