Road to Recovery?

Budget 2020-21
Update

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For You

Personal income tax cuts

Date of effect	1 July 2020

As widely predicted, the Government has brought forward stage 2 of its planned income tax cuts by two years. Originally intended to apply from 1 July 2022, the tax cuts will come into effect from 1 July 2020 (subject to the passage of the legislation).

> ***More than 11 million taxpayers will get a tax cut backdated to 1 July this year."***
>
> *Treasurer the Hon Josh Frydenberg, Budget Speech 2020-21*

At a cost of $17.8 billion over the forward estimates, bringing forward the tax cuts is a controversial move. The Government argues that the measure will "boost GDP by around $3.5 billion in 2020-21 and $9 billion in 2021-22 and will create an additional 50,000 jobs by the end of 2021-22." Others in Parliament believe the measure rewards higher income earners and the money could be better spent elsewhere. The Senate will decide whether the Government's plan comes to fruition.

Stage 3 of the Personal Income Tax Plan that simplifies and flattens the personal income system remains scheduled for 2024-25.

	Tax thresholds		
Tax rate	**Current**	**From 1 July 2020**	**From 1 July 2024**
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
LITO	Up to $445	**Up to $700**	Up to $700

Bringing forward the personal income tax plan will:

- Increase the top threshold of the 19% tax bracket to $45,000 (from $37,000)
- Increase the top threshold of the 32.5% tax bracket to $120,000 (from $90,000)
- Increase the low income tax offset from $445 to $700

In addition, the LMITO (low and middle income tax offset), which provides a reduction in tax of up to $1,080 for individuals with a taxable income of up to $126,000, will be retained for 2020-21. This measure was to be removed at the commencement of stage 2 of the reforms from 2022-23.

⇢ Tax relief to back hard-working Australians and to create more jobs

$250 economic support payments

Date of effect	November 2020 and early 2021

Two additional economic support payments of $250 each will be made to eligible recipients of the following payments and health care card holders:

- Age Pension
- Disability Support Pension
- Carer Payment
- Family Tax Benefit, including Double Orphan Pension (not in receipt of a primary income support payment)
- Carer Allowance (not in receipt of a primary income support payment)
- Pensioner Concession Card (PCC) holders (not in receipt of a primary income support payment)
- Commonwealth Seniors Health Card holders
- Eligible Veterans' Affairs payment recipients and concession card holders.

The payments are exempt from taxation and will not count as income support for the purposes of any income support payment.

Capital gains tax removed from 'granny flats'

Date of effect	1 July 2021 subject to the passage of the legislation

At present, if you enter into a formal granny flat arrangement with a relative, such as an elderly parent, there is a risk of capital gains tax (CGT) applying.

Announced pre Budget, this measure provides a targeted CGT exemption for granny flats under certain conditions. Under the arrangement, CGT will not apply to the creation, variation or termination of a formal written granny flat arrangement providing accommodation for older Australians or people with disabilities.

The exemption only applies to family arrangements or other personal ties and will not apply to commercial rental arrangements.

→ Removing Capital Gains Tax for Granny Flats

10,000 additional places in First Home Loan Deposit Scheme

Date of effect	6 October 2020

Announced pre Budget, from 6 October 2020 until 30 June 2021, an additional 10,000 places will be available for first home buyers under the First Home Loan Deposit Scheme to support the purchase of a new home or a newly built home. The scheme enables first home buyers to purchase a home with a deposit of as little as 5% without mortgage insurance. There are currently 27 participating lenders across Australia offering places under the First Home Loan Deposit Scheme.

⟶ Helping an additional 10,000 first home buyers

Aged care support

$1.6bn to help elderly stay at home

As previously announced, the Government has committed to a broad package of aged care funding predominantly focussed on helping older Australians remain at home. $1.6 billion has been provided over four years from 2020-21 to release an additional 23,000 home care packages across all package levels.

The number of home care packages will have increased threefold from around 60,300 in 2013 to around 185,500 in 2021.

Aged care industry monitoring and support

An additional $400 million will see an injection in cash for infrastructure supporting the aged care industry including a new serious incident response scheme and monitoring services.

Your Superannuation

Superannuation accounts ‘stapled’ to an individual

Date of effect	From 1 July 2021

This reform will ensure individuals continue to use their existing superannuation fund when they change jobs. The fund will be “stapled” to the individual to prevent the duplication of superannuation fund accounts when changing employers.

From 1 July 2021:

- If an employee does not nominate an account at the time they start a new job, employers will pay their superannuation contributions to their existing fund.
- Employers will obtain information about the employee’s existing superannuation fund from the ATO.
- The employer will do this by logging onto ATO online services and entering the employee’s details. Once an account has been selected, the employer will pay superannuation contributions into the employee’s account.
- If an employee does not have an existing superannuation account and does not make a decision regarding a fund, the employer will pay the employee’s superannuation into their nominated default superannuation fund.

The Government expects that future enhancements will enable payroll software developers to build systems to simplify the process of selecting a superannuation product for both employees and employers through automated provision of information to employers.

Accountability of underperforming funds

Date of effect	From July 2021 (MySuper products) From 1 July 2022 (non MySuper products)

From July 2021, the Australian Prudential Regulation Authority will conduct benchmarking tests on the net investment performance of MySuper products, with products that have underperformed over two consecutive annual tests prohibited from receiving new members until a further annual test shows they are no longer underperforming.

If a fund is deemed to be underperforming in the first of these annual tests, it will need to inform its members of its underperformance by 1 October 2021. When funds inform their members about their underperformance they will also be required to provide them with information about the YourSuper comparison tool (see below). Underperforming funds will be listed as underperforming on the YourSuper comparison tool until their performance improves.

Non-MySuper accumulation products where the decisions of the trustee determine member outcomes will be added from 1 July 2022.

Performance transparency

Date of effect	From July 2021 (MySuper products)

A new interactive tool (YourSuper) will enable a comparison of simple super (MySuper) products ranked by fees and investment returns. The tool will also provide links to other MySuper products and show current super accounts if the individual has more than one.

The tool will be administered by the ATO.

Trustee accountability

Date of effect	By 1 July 2021

The obligations on superannuation trustees will be strengthened to ensure their actions are consistent with members' retirement savings being maximised. By 1 July 2021:

- Superannuation trustees will be required to comply with a new duty to act in the best financial interests of members.
- Trustees must demonstrate that there was a reasonable basis to support their actions being consistent with members' best financial interests.
- Trustees will provide members with key information regarding how they manage and spend their money in advance of Annual Members' Meetings.

→ Your future, your super - making your super work harder for you
→ Your Future, Your Super

Business & Employers

JobMaker Hiring Credit

Date of effect	From 7 October 2020 for 12 months

The JobMaker Hiring Credit will be available to eligible employers over 12 months from 7 October 2020 for each additional new job they create for an eligible employee.

Eligible employers will receive:

- $200 per week if they hire an eligible employee aged 16 to 29 years or
- $100 per week if they hire an eligible employee aged 30 to 35 years.

The JobMaker Hiring Credit will be paid quarterly in arrears. It will be available for up to 12 months from the date of employment of the eligible employee with a maximum amount of $10,400 per additional new position created.

Employers will need to demonstrate that the new employee will increase overall employee headcount and payroll.

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

Immediate deductions for investment in capital assets

Date of effect	Acquisition of eligible capital assets from 7:30pm AEDT on 6 October 2020 and first used or installed by 30 June 2022

The Government is really keen for business to invest. This measure enables businesses with an aggregated turnover of less than $5 billion to fully expense the cost of new depreciable assets and the cost of improvements to existing eligible assets in the first year of use. This means that an asset's cost will be fully deductible upfront rather than being claimed over the asset's life.

While many businesses were already eligible for an instant asset write-off for asset purchases of up to $150,000, this measure does not cap the asset's cost, and eligibility for the higher instant asset write-off has been significantly broadened and extended (the existing $150,000 instant asset write-off applies to businesses with turnover less than $500 million and will not apply to purchases after 31 December 2020).

Second-hand assets

For businesses with an aggregated turnover under $50 million, full expensing also applies to second-hand assets.

Businesses 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 enhanced instant asset write-off. Businesses that hold assets eligible for the 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 business pooling

Small business entities (with aggregated annual turnover of less than $10 million) using the simplified depreciation rules can deduct the balance of their simplified depreciation pool at the end of the income year while full expensing applies. 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.

→ ATO document 'JobMaker Plan – temporary full expensing to support investment and jobs'

Ability for companies to carry-back losses

Date of effect	Losses from the 2019-20, 2020-21 or 2021-22 income years

Companies with an aggregated turnover of less than $5 billion will be able to carry back losses from the 2019-20, 2020-21 and 2021-22 income years to offset previously taxed profits in the 2018-19, 2019-20 and 2020-21 income years.

Under this measure tax losses can be applied against taxed profits in a previous year, generating a refundable tax offset in the year in which the loss is made. The amount carried back can be no more than the earlier taxed profits, limiting the refund by the company's tax liabilities in the profit years. Further, the carry back cannot generate a franking account deficit meaning that the refund is further limited by the company's franking account balance.

The tax refund will be available on election by eligible businesses when they lodge their 2020-21 and 2021-22 tax returns.

Currently, companies are required to carry losses forward to offset profits in future years. Under the proposed amendments, companies that do not elect to carry back losses can still carry losses forward as normal.

This measure will interact with the Government's announcement to allow full expensing of investments in capital assets. The new investment will generate significant tax losses in some cases which can then be carried back to generate cash refunds for eligible companies.

Note that loss carry-back rules were introduced some years ago by the Gillard government. The rules were repealed and were only operational in the 2012-13 year.

→ ATO document 'Loss carry back'

Access to tax concessions extended to businesses up to $50m

Date of effect	Three phases: 1 July 2020, 1 April 2021, 1 July 2021

Announced pre Budget, a range of generous tax concessions normally only available to small and medium businesses, will be available to businesses with an aggregated turnover of up to $50 million.

The expanded concessions will be rolled out in three phases:

From 1 July 2020	**Immediate deduction for certain start-up expenses** Eligible new businesses can immediately deduct a range of professional expenses required to start up a business – such as professional, legal and accounting advice as well as amounts paid to Government agencies to set up the business entity. **Immediate deduction for prepaid expenditure** Eligible businesses can choose to claim an immediate deduction for prepaid expenses where the payment is for a period of service which is 12 months or less and ends in the next income year.
From 1 April 2021	**FBT cark parking exemption** Eligible employers will be exempt from FBT on certain car parking benefits provided to employees. **FBT exemption on portable electronic devices** Eligible employers will be able to provide more than one portable electronic device that is mainly for work use to an employee in a single FBT year and apply an FBT exemption (e.g., phones and laptops).
From 1 July 2021	**Simplified trading stock** Eligible businesses can choose not to conduct a stocktake if there is a difference of less than $5,000 between the opening value of trading stock and a reasonable estimate of the closing value of trading stock at the end of the income year. **PAYG instalments based on GDP adjustment amount** Eligible businesses can pay an ATO calculated PAYG instalment amount based on the last reported income (i.e., as reported in the most recent tax return) adjusted by a GDP adjustment factor. This removes the need to calculate the PAYG instalment each period based on a percentage of instalment income. **Settle excise duty and excise-equivalent customs duty monthly** On eligible goods, this concession enables eligible businesses to apply to defer settlement of their excise duty and excise equivalent customs duty from a weekly to a monthly reporting cycle. **Two-year amendment period** Eligible businesses will have a two-year amendment period apply to income tax assessments, excluding entities that have significant international tax dealings or particularly complex affairs.

	Simplified accounting methods The Commissioner of Taxation's power to create a simplified accounting method determination for GST purposes will be expanded to apply to eligible businesses below the $50 million aggregated annual turnover threshold.

The eligibility turnover thresholds for other small business tax concessions will remain at their current levels.

→ Expanding access to small business tax concessions to support jobs
→ ATO document 'Increase the small business entity turnover threshold'

100,000 new apprenticeships

Date of effect	5 October 2020

Announced pre Budget, from 5 October 2020 a business (or Group Training Organisation) that takes on a new Australian apprentice will be eligible for a 50% wage subsidy, regardless of geographic location, occupation, industry or business size. The scheme will be available until the 100,000 cap has been reached.

Under the subsidy, employers will be eligible for up to 50% of the wages of a new or recommencing apprentice or trainee for the period up to 30 September 2021. The maximum subsidy is $7,000 per quarter.

The subsidy is paid in arrears and is available for wages paid from 5 October 2020 to 30 September 2021.

Eligible businesses are those that:

- Engage an Australian Apprentice between 5 October 2020 and 30 September 2021, and
- The Australian Apprentice or trainee is undertaking a Certificate II or higher qualification, and has a training contract that is formally approved by the state training authority.

→ 100,000 New Apprenticeship Positions to Lead The Covid-19 Economic Recovery
→ Boosting Apprenticeship Commencements
→ Fact sheet

Infrastructure

Water infrastructure

The Government will provide $2 billion over ten years from 2020-21 for the development and delivery of a 10-year rolling program of priority water infrastructure investments, including grant funding for the planning and construction of water infrastructure in partnership with the states and territories.

$7.5bn transport infrastructure injection

Announced ahead of the Federal Budget, transport infrastructure spending is a big winner with each State and Territory sharing in an additional $7.5 billion to fast track investment in projects. Working in consultation with the State and Territories, the projects have been identified as “ready to go” or “shovel ready.”

→ Morrison Government delivers $7.5 billion boost for transport infrastructure across nation

Australian Capital Territory

$155 million investment in transport infrastructure. Key investments include:

- $88 million for the Molonglo River Bridge
- $50 million for a South West Corridor upgrade package.

→ Morrison Government invests $155 million in transport infrastructure to boost ACT economic recovery

New South Wales

$2.7 billion investment in transport infrastructure. Key investments include:

- $560 million for the Singleton Bypass on the New England Highway
- $360 million for the Newcastle Inner City Bypass between Rankin Park and Jesmond
- $120 million for the Prospect Highway Upgrade
- An additional $491 million for the Coffs Harbour Bypass taking the total contribution to $1.5 billion.

And, for those that catch the train each day to work, there are upgrades planned for commuter carparks along the North Shore to St Marys (T1), and the T8 East Hills Line at Campbelltown, Revesby and Riverwood.

→ Morrison Government invests $2.7 billion in transport infrastructure to boost NSW economic recovery

Northern Territory

$190 million investment in transport infrastructure. Key investments include:

- $120 million for upgrades to the Carpentaria Highway
- $23 million to upgrade the Stuart Highway at Coolalinga (part of the $47 million National Network Highway Upgrades across the Territory)

→ Budget infrastructure investment supports economic recovery in the territory

Queensland

$1.3 billion investment in transport infrastructure. Key investments include:

- $750 million for Stage 1 of the Coomera Connector (Coomera to Nerang)
- $112 million for the Centenary Bridge Upgrade in Brisbane

- $76 million for Stage 2 of the Riverway Drive Upgrade between Allambie Lane and Dunlop Street in Townsville
- $42 million for the Mt Lindesay Highway Upgrade between Johanna Street and South Street in Jimboomba.

→ Morrison Government invests $1.3 billion in transport infrastructure to boost QLD economic recovery

South Australia

$625 million investment in transport infrastructure. Key investments include:

- $200 million for the Hahndorf Township Improvements and Access Upgrade
- $136 million for Stage 2 of the Main South Road Duplication between Aldinga and Sellicks Beach
- $100 million for the Strzelecki Track Upgrade.

→ Morrison Government invests $625 million in transport infrastructure to boost SA economic recovery

Tasmania

$360 million investment in transport infrastructure. Key investments include:

- $150 million for the Midway Point Causeway (including McGees Bridge) and Sorell Causeway as part of the Hobart to Sorell Roads of Strategic Importance corridor
- $65 million to upgrade the Tasman Bridge

→ Morrison Government invests $360 million in transport infrastructure to boost Tasmanian economic recovery

Victoria

$1.1 billion investment in transport infrastructure. Key investments include:

- $320 million for the Shepparton Rail Line Upgrade
- $208 million for Stage 2 of the Warrnambool Rail Line Upgrade
- $292 million for the Barwon Heads Road Upgrade
- $85 million to upgrade Hall Road in Cranbourne
- Work on Stages 2 and 3 of the South Geelong to Waurn Ponds Rail Upgrade will be accelerated with $605 million brought forward into the forward estimates.

→ Morrison Government invests $1.1 billion in transport infrastructure to boost Victorian economic recovery

Western Australia

$1.1 billion investment in transport and infrastructure. Key investments include:

- $88 million for the Reid Highway Interchange with West Swan Road
- $70 million for the Roe Highway Widening and Abernethy Road Upgrade
- $16 million to undertake sealing of priority sections of the Goldfields Highway between Wiluna and Meekatharra

- $16 million to undertake upgrades on the Broome-Cape Leveque Road and associated community access roads.

⟶ Morrison Government invests $1.1 billion in transport infrastructure to boost WA economic recovery

Road and safety upgrades

The Government will provide $2 billion over two years from 2020-21 to deliver small scale road safety projects to provide short term economic stimulus. Road safety projects such as road widening, centre lines and barriers will be identified and delivered by jurisdictions in three six-month tranches to improve safety on Australian roads while stimulating local economies.

$150m for indigenous home ownership program

$150 million will be provided over 3 years from 2020-21 to Indigenous Business Australia for new housing construction loans in regional Australia through its Indigenous Home Ownership Program.

The Economy

We knew there was going to be a big black hole of a deficit. The Treasurer revealed $213.7 billion in 2020-21, with an expectation of this falling to $66.9 billion by 2023-24.

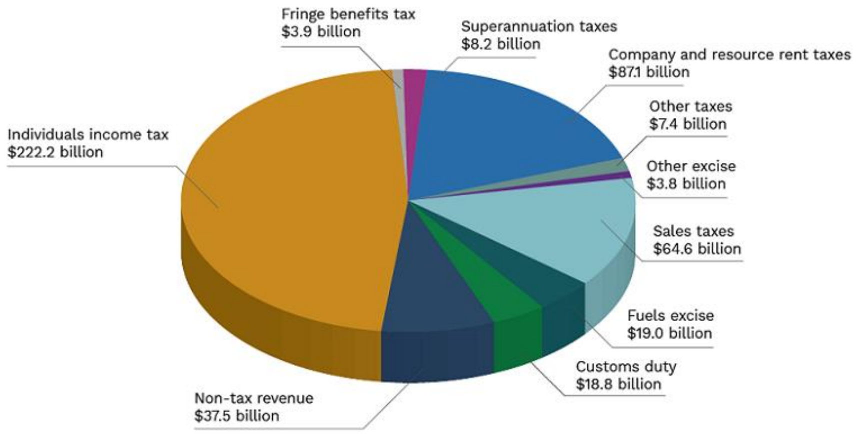
Australia's economy contracted by 7% in the June quarter.

Gross debt will increase to $872 billion (45% of GDP) this year and stabilise at around 55% of GDP in the medium term.

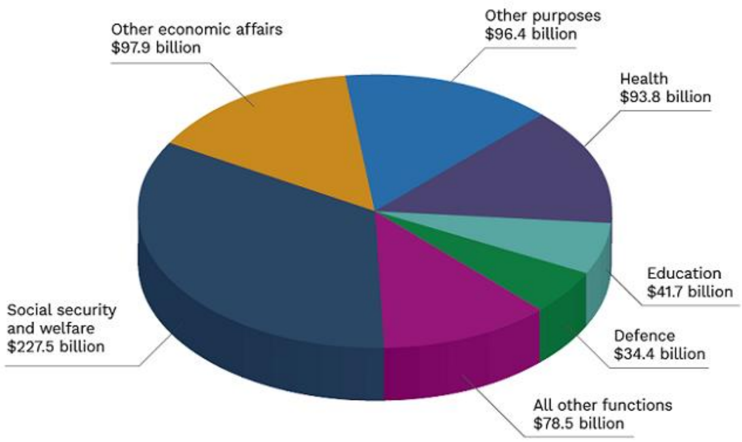
Net debt will increase to $703 billion (36% of GDP) this year before peaking at 44% of GDP in June 2024, and declining to less than 40% of GDP over the medium term.

GDP is forecast to fall by 3¾% this calendar year and the unemployment rate is forecast to peak at 8% in the December quarter. Next calendar year, GDP is forecast to grow by 4¼%, and the unemployment rate is forecast to fall to 6½% in the June quarter 2022.

Where revenue comes from (2020-21)



Where money is spent (2020-21)



Source: 2020-21 Federal Budget Appendix B: Revenue and spending