



# 2020 Federal Budget

**SUMMARY** INDIVIDUALS AND BUSINESSES

# TOP 15 BUDGET MEASURES FOR INDIVIDUALS AND BUSINESSES

## 1 IMMEDIATE WRITE-OFF OF ELIGIBLE ASSETS TO 30 JUNE 2022

The Government is increasing the instant asset write-off concession for new assets to equal the full cost of the asset and is expanding access to more businesses (with an annual turnover of less than \$5 billion). These changes will apply from 7:30pm (AEDT) on 6 October 2020 to 30 June 2022.

Small and medium sized businesses (those with an aggregated annual turnover of less than \$50m) can fully deduct second-hand assets purchased and installed during the eligible period. Small businesses using simplified depreciation pools can deduct the entire balance of the pool at the end of the income year during this period.

*Luxury car depreciation limits will still apply (2020/21 \$59,136 limit).*

## 2 TEMPORARY LOSS CARRY-BACK FOR COMPANIES

These entities are currently required to carry losses forward to offset taxable profits in future years. Eligible companies with turnover up to \$5 billion will be able to offset tax losses against prior year taxed profits to generate a refund.

Losses incurred in the 2019/20, 2020/21 or 2021/22 income years may be carried back and offset against profits made in or after the 2018/19 income year. The tax loss carried back cannot exceed the prior year taxed profits or generate a franking account deficit.

The tax refund will be issued on lodgement of the 2020/21 and 2021/22 tax returns.

Companies that do not elect to carry back losses will continue to carry losses forward as normal.

## 3 INCREASE IN ANNUAL TURNOVER THRESHOLD FOR SMALL BUSINESS CONCESSIONS

Businesses with an aggregated annual turnover between \$10 million and \$50 million will have a phased in access to small business tax concessions including:

- From 1 July 2020 - Deduct certain start-up expenses and prepayments
- From 1 April 2021 - FBT exemptions for carparking and multiple portable electronic devices
- From 1 July 2021 - Simplified ATO reporting options and trading stock rules as well as a shortened review period

## 4 PREVIOUSLY LEGISLATED STAGE 2 PERSONAL TAX CUTS BROUGHT FORWARD

From 1 July 2020, the top threshold of the 19% personal tax bracket will increase to \$45,000 (up from \$37,000) and 32.5% bracket to \$120,000 (up from \$90,000).

The above will apply until 30 June 2024. The legislated changes as part of stage 3 of the personal income tax plan are unchanged and will commence on 1 July 2024.

## 6 WAGE SUBSIDY FOR NEW APPRENTICES AND TRAINEES EXPANDED

The apprenticeship wage subsidy program announced in the July 2020 Economic and Fiscal Update, will be expanded to allow businesses of any size to claim the subsidy.

Eligible businesses that employ apprentices or trainees will be eligible to receive up to a 50% wage subsidy, up to \$7,000 per quarter, capped at 100,000 places. This new measure will run from 5 October 2020 to 30 September 2021.

## 5 EXTENSION AND RE-ALIGNMENT OF PERSONAL TAX OFFSETS

With the earlier commencement of phase 2 of the personal income tax plan changes to Low Income Tax Offset (LITO) will also be brought forward two years to 1 July 2020.

From 1 July 2020, the LITO will increase to \$700 (up from \$445). The increased LITO will be withdrawn at a rate of 5 cents per dollar between taxable incomes of \$37,500 and \$45,000, with an additional withdrawal of 1.5 cents per dollar between taxable incomes of \$45,000 and \$66,667. The LITO offset will not be available where income exceeds \$66,667.

The new effective tax-free threshold for individual Australian tax residents is \$23,226 for the 2020/21 income year.

The Low and Middle Income Tax Offset (LMITO) will remain in place for the 2020/21 income year. The offset will provide a base rate of \$255 with a maximum entitlement of \$1,080. The LMITO offset will not be available where income exceeds \$126,000.

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## 7 RESEARCH & DEVELOPMENT TAX INCENTIVE CHANGES

The research and development (R&D) tax incentive will be adjusted from 1 July 2021.

An R&D entity is defined as small if their aggregated annual turnover is less than \$20m during the claim year.

Small R&D entities:

- will be eligible for a refundable R&D tax offset of 18.5 percentage points above their company tax rate, up from 13.5 percentage points
- will no longer have an upper R&D tax offset limit of \$4m.

Large R&D entities:

- will move from three intensity-based offset tiers to two
- will be eligible for a non-refundable R&D tax offset of 8.5 percentage points above the claimant's company tax rate for notional deductions between 0% and 2% of total expenses
- will be eligible for a further non-refundable R&D tax offset of 16.5 percentage points above the claimant's company tax rate for notional deductions over 2% of total expenses.

The proposed increase of the R&D expenditure threshold from \$100m to \$150m will not change.

## 9 CGT EXEMPTION FOR GRANNY FLAT ARRANGEMENTS

A targeted capital gains tax exemption will apply for granny flat arrangements where there is a formal written agreement in place.

Capital gains tax will not apply to the creation, variation or termination of formal written granny flat arrangements providing accommodation for older Australians or people with disabilities. The exemption will only apply to arrangements entered into because of family relationships or other personal ties and does not apply to commercial rental arrangements.

This measure will commence as early as 1 July 2021, subject to the passing of legislation.

## 11 DIGITAL BUSINESS PLAN

The Government is providing \$796.5 million over four years from 2020-21 through its Digital Business Plan to further drive progress towards Australia becoming a leading digital economy by 2030 and to improve productivity, income growth and jobs by supporting the adoption of digital technologies by Australian businesses. The measures cover the following pillars: modern digital infrastructure, reduced regulatory barriers, small and medium enterprise (SME) support and capability and a digital government that is easier to do business with.

## 8 JOBMAKER HIRING CREDIT

Eligible employers can claim a JobMaker Hiring Credit for each additional new job they create for an eligible employee from 7 October 2020 to 6 October 2021.

The JobMaker Hiring Credit will be available from the date of employment for up to 12 months and capped at \$10,400 for each additional new position created. 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.

There are specific "additionality criteria" to be met to be an eligible employer, including demonstrating that there is an increase in the total employee headcount and payroll of the business. Other employer eligibility criteria include being registered for PAYG withholding and reporting through Single Touch Payroll. Employers do not need to satisfy a fall in turnover test. The Jobmaker Hiring Credit will also not be available to employers who are claiming the JobKeeper payment.

The employee must have worked at least 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 before they were hired.

The credit will be available for each additional new job created for an eligible employee from 7 October 2020 until 6 October 2021. It will be claimed quarterly in arrears from the ATO starting from 1 February 2021.

## 10 NEW \$7.5 BILLION NATIONAL INFRASTRUCTURE BUILD FUNDING

The Government has announced a new \$7.5b investment into national transport infrastructure in order to create new jobs as part of the nation's economic recovery.

The funding is on top of the \$100 billion the Government already dedicated to infrastructure over the next decade.

## 12 MODERN MANUFACTURING STRATEGY

The Government will provide \$1.5b over five years from 2020-21 to support the Modern Manufacturing Strategy which is focused on building competitiveness, scale and resilience in the Australian manufacturing sector.

Investment and support will focus on creating manufacturing strength and capability in six areas of comparative advantage and strategic interest. These six National Manufacturing Priorities are: resources technology & critical minerals processing; food & beverages; medical products; recycling & clean energy; defence; and space.



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## 13 FBT EXEMPTION AND DEDUCTIONS FOR RETRAINING

Employer-provided retraining and reskilling for redundant, or soon to be redundant, employees will be exempt from fringe benefits tax.

Currently, employers providing training that is not sufficiently connected to an employee's current employment may be subject to fringe benefits tax. The exemption will apply for retraining towards a position within or outside of the employer's business. Retraining provided through a salary packaging arrangement or commonwealth supported places at universities will not be eligible for the exemption.

When enacted, the exemption will apply from 2 October 2020.

Changes to tax deduction rules for self-education expenses unrelated to current employment will also be considered by the government in consultations. In addition, employers will be allowed to use existing corporate records, rather than prescribed records, to comply with their fringe benefits tax obligations.

## 14 SUPER WILL BE PAID TO A NEW EMPLOYEE'S EXISTING ACCOUNT

An existing superannuation account will be "stapled" to a member to avoid the creation of a new account when that person changes their employment.

By 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.

If an employee does not have an existing superannuation account and does not elect a fund, the employer will pay the employee's superannuation into their nominated default superannuation fund.

## 15 NEW INTERACTIVE ONLINE YOURSUPER COMPARISON TOOL

An interactive online comparison tool will help individuals decide on the best superannuation product to meet their needs.

By 1 July 2021, the YourSuper online tool will:

- provide a table of simple superannuation products (MySuper) ranked by fees and investment returns
- link to superannuation fund websites where individuals can choose a MySuper product, and
- prompt individuals with multiple accounts to consider consolidating accounts.



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