



Financial *Insights*

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FEDERAL BUDGET 2020/21



FAST-TRACKED TAX CUTS AND WAGE SUBSIDIES FOR YOUNGER WORKERS UNDERLINE THE FEDERAL GOVERNMENT'S BUDGET.

SUMMARY

PERSONAL TAX CUTS BROUGHT FORWARD

- **Immediate tax relief:** 'Stage two' personal income tax cuts will be brought forward two years, and backdated to 1 July 2020.
- **Raised tax brackets:** The upper threshold of the 19% tax bracket will rise from \$37,000 to \$45,000 and the upper threshold of the 32.5% tax bracket will rise from \$90,000 to \$120,000. This will be worth the equivalent of \$41 a week to those earning between \$50,000 and \$90,000 a year, and about \$49 a week to those earning more than \$120,000 a year (source: <https://budget.gov.au/calculator/index.htm>).

Taxable Income	2019-20		2020-21	
	Tax Liability	Tax Liability	Tax Liability	Change in Tax
\$40,000	\$4,947	\$3,887	\$3,887	-1,060
\$60,000	\$12,147	\$9,987	\$9,987	-2,160
\$80,000	\$19,147	\$16,987	\$16,987	-2,160
\$100,000	\$26,632	\$24,187	\$24,187	-2,445
\$120,000	\$34,432	\$31,687	\$31,687	-2,745
\$140,000	\$42,232	\$39,667	\$39,667	-2,565
\$160,000	\$50,032	\$47,467	\$47,467	-2,565
\$180,000	\$57,832	\$55,267	\$55,267	-2,565
\$200,000	\$67,232	\$64,667	\$64,667	-2,565

The table provides stylised cameos based on the tax payable for an individual, excluding any transfer payments. The tax liability and tax relief are calculated only taking into account the basic tax scales, low income tax offset, low- and middle-income tax offset and the Medicare levy. Actual outcomes for many individuals and households would differ.

- **Boost for workers on lower incomes:** Workers on lower incomes will gain from an extension of the Low and Middle Income Tax Offset for a further 12 months until 30 June 2021, and increase in the Low Income Tax Offset.

SUPPORT FOR PENSIONERS, LOW INCOME EARNERS, WELFARE RECIPIENTS AND JOB-SEEKERS

- Two cash payments: Aged pensioners, carers, disability support and concession cardholders will receive two \$250 payments. The payments will be made progressively from 30 November 2020 and early 2021.
- Incentives for employers to hire: A JobMaker Hiring Credit will be paid for a year to businesses who hire an eligible unemployed worker aged 16 to 35. The rate will be \$200 a week for people under 30 and \$100 a week for people between 30 and 35, and they must work at least 20 hours a week. The JobMaker Hiring Credit is aimed at filling the gap when the JobKeeper scheme ends next March.
- Support to businesses employing apprentices and trainees: A wage subsidy will reimburse eligible businesses up to 50% of a new apprentice or trainee's wages. Subsidies are capped at \$7,000 per quarter, per eligible apprentice or trainee, capped at 100,000 places.

GRANNY FLATS & CAPITAL GAINS TAX

A capital gains tax (CGT) exemption will be applied to granny flat rights that are supported by a formal written agreement. This aims to strengthen the financial and legal security of individuals entering into these arrangements, by removing potentially significant tax consequences associated with formalising these types of agreements.

SENIORS & HOME CARE

The budget increases the number of approved home care packages available over the next four years with 23,000 new packages for older Australians waiting to receive at-home care, at a cost of \$1.6bn.



A likely response to the interim report of the royal commission finding the government needed to act urgently to reduce waiting times for older Australians seeking in-home support.

YOUR FUTURE, YOUR SUPER PACKAGE COMMENCING 1 JULY 2021

- Making it easier to choose a super fund: Super fund members will have access to a new interactive online comparison tool, YourSuper, aimed to encourage funds to compete harder for members' savings.
- Transparency around underperforming funds: To protect members from poor outcomes and encourage funds to lower costs, the Government will require superannuation products to meet an annual objective performance test. Those that fail will be required to inform members and refer members to the YourSuper comparison tool. Persistently underperforming products will be prevented from taking on new members.
- Additional trustee obligations: Super fund trustees need to ensure decisions are made in the best financial interest of members and provide better information on management and expenditure.



BUSINESS TAX CHANGES

- **Immediate tax write-off:** Businesses with annual turnover of up to \$5 billion can write off the full cost of eligible capital assets acquired from 7 October 2020 and first used or installed for use by 30 June 2022.
- **Loss carry-back:** Companies with aggregated annual turnover of less than \$5 billion will be able to apply tax losses from the 2019-20, 2020-21 and 2021-22 income years against previously taxed profits from the 2018-19 and later tax years by claiming a refundable tax offset in the loss year.
- **Specific changes for small business:** Small businesses with a turnover of up to \$50 million will be able to access up to 10 tax breaks, with fringe benefits tax scrapped on car parking, phones or laptops, simpler trading stock rules and easier PAYG instalments.

FRINGE BENEFIT TAX EXEMPTION.

From 1 April 2021, eligible businesses will be exempt from fringe benefit tax (FBT) on car parking and multiple work-related portable electronic devices, phones tablets laptops etc – an 'eligible business' will shift from one with turnover less than \$10 million to those with turnover less than \$50 million. A FBT exemption will be provided to employers providing training and reskilling to redundant or soon to be redundant employees.

Ordinarily, FBT would apply if the training provided is not sufficiently connected to the current employment.

The Government will also consult on potential changes for employees undertaking training at their own expense. Currently, a tax deduction is only available where the training relates to the current employment.

FIRST HOME BUYERS

- **Purchase cap lifted:** Up to 10,000 more first home buyers will be able to get a loan to build a new home or buy a newly built home with a deposit of as little as 5% (source: <https://budget.gov.au/2020-21/content/overview.htm>).

The purchase cap will also be lifted and varies depending on the State and regional area.



This represents general information only. Before making any financial or investment decisions, we recommend you consult a financial planner to take into account your personal investment objectives, financial situation and individual needs.

Achieving Your Milestones

QUOTE FOR THE MONTH

*“FINANCIAL PLANNING is about more than just good advice or investment returns
It’s about providing GUIDANCE that YOU CAN
TRUST”*