

The Treasurer delivered the Federal Budget on Tuesday, 6 October 2020 and there were no real surprises handed down. As speculated, the Government is largely focused on spending measures designed to encourage business investment and to spur economic growth as a recovery tool for the COVID-19 pandemic after it recorded its biggest deficit since World War II.

The measures are fairly well rounded with a few wins for individual taxpayers, social security recipients and businesses alike.

It is important to remember that not all measures are legislated (and could change of course), but we have summarised (most) of the headline announcements for you in this newsletter.



AGED CARE

Effective from 2020-21, the Government will improve waiting times for Home Care Packages by increasing funding for 23,000 additional Home Care packages across all package levels.

TAXATION

A number of announcements were made in relation to taxation, with previously announced tax cuts due to take effect from 1 July 2022 now being brought forward from 1 July 2020 as follows:

Low Income Tax Offset (LITO)

LITO will increase from \$445 to \$700 (for persons earning under \$37,500). This gradually reduces until it is phased out for incomes over \$66,667. So, what does this mean for you? More money in your pocket! Tax offsets directly reduce the amount of tax payable on your taxable income.

Changes to tax brackets

- 19.00% top threshold will increase from \$37,000 to \$45,000.
- 32.50% top threshold will increase from \$90,000 to \$120,000.

Low and Middle Income Tax Offset (LMITO)

LMITO was due to be removed as part of previously announced measures however this will remain in place for the 2020-21 financial year only. The full LMITO is \$1,080 and applies to individuals with taxable income between \$48,000 to \$90,000 (the offset tapers down to nil once the top income threshold of \$126,000 is exceeded).

Stage 3 tax cuts

No mention was made of the stage 3 tax cuts which are due to take effect from 1 July 2024. Under these tax cuts, the 37% tax rate will be abolished and the 32.50% tax rate will reduce to 30% and will apply to incomes between \$45,000 to \$200,000. Watch this space!

Capital Gains Tax exemption for granny flat arrangement

The Government will provide a targeted CGT exemption for granny flat arrangements where there is a formal written agreement. The measure is intended to remove CGT impediments and reducing the risk of abuse to vulnerable Australians. Effective 1 July 2021.

Fringe benefit tax exemption

This measure is aimed to support the retraining and reskilling provided to redundant, or soon to be redundant employees. Employers will also benefit from reduced compliance burdens of record keeping. Effective 1 April 2021.

SUPERANNUATION

Super 'stapled' to a member

An employee's existing superannuation fund will be 'stapled' to them to avoid the establishment of a new super fund when they change employment. In the past, if employees did not nominate a fund, they could be added to the employer default fund. The aim of this measure is to reduce unintended multiple super accounts that may erode member balances through unnecessary fees and insurance premiums. Employers can access employee super fund details from the ATO's online services.



YourSuper comparison tool

A new, interactive, online YourSuper comparison tool, to be developed by the ATO, will aim to make it easier for members to choose their super fund. The online tool aims to:

- Rank MySuper products by fees and investment returns
- Provide links to super fund websites
- Show the member's current super accounts and prompt members to consolidate

YourSuper comparison tool

While we see this as a step in the right direction in terms of providing access to information, it appears that this tool may be quite limited.

We take this opportunity to remind you that as part of our service to you, we can conduct in-depth fund comparisons that extend the scope of only 'MySuper' products.

Holding funds to account for underperformance

By 1 July 2021, APRA will conduct annual benchmarking tests on the net investment performance of MySuper products. If a fund is 'underperforming' it will need to inform its members and let them know about the YourSuper comparison tool.

New duties and responsibilities for super fund trustees

A call for greater accountability and transparency is on the cards for trustees of super funds. By July 2021, Super Trustees will be required to:

- Comply with a new duty to act in the best financial interests of members,
- Demonstrate that there was a reasonable basis to support their actions that is consistent with members' best financial interests,
- Provide members with key information regarding how they manage and spend their money in advance of Annual Members' Meetings.

SOCIAL SECURITY

\$250 Economic Support Payments

The Government is providing two separate one-off Economic Support Payments of \$250 to individuals receiving eligible income support payments or concession cards. Payments will be made in December 2020 and March 2021. Eligible individuals must be in receipt of the following payments/concession cards as at 27 November 2020 and/or 26 February 2021:

- Age Pension (incl Age Pension (Blind))
- Carer Allowance*
- Carer Payment
- Commonwealth Seniors Health Card
- Disability Support Pension (incl DSP (Blind))
- Double Orphan Pension*
- DVA Gold Card
- DVA Payments
- DVA Seniors Card
- Family Tax Benefit (fortnightly recipients)*
- Family Tax Benefit (lump sum recipients)*
- Pensioner Concession Card (PCC) holders (covers non-income and asset test PCC holders and customers who have an extended entitlement to a PCC even though their payment has stopped).

* If not receiving a primary income support payment

Note: Individuals eligible for the Coronavirus Supplement of \$250 fn (such as JobSeeker Payment) are not eligible for the one-off \$250 Economic Support Payment. In addition, if an individual only holds a Low Income Health Care Card, they do not qualify for the one-off \$250 Economic Support Payments.

Youth Allowance and ABSTUDY independence test

The Government is making temporary changes to the criteria used to determine independence for Youth Allowance and ABSTUDY.

Parental Leave Pay – Work test extension

The Government is temporarily extending the work test for Paid Parental Leave and Dad and Partner Pay from 13 months to 20 months, for those affected by the Coronavirus pandemic.

DVA Disability Pensions – exempt for rent assistance and income support payments

Measures staggered between 1 July 2021 and 20 Sept 2022, a number of changes will be made to the DVA Disability Pension which will see the Defence Force Income Support Allowance (DFISA) abolished as it will no longer be required.

Pension Loan Schemes

A number of changes will be made to improve the service available for this scheme such as some online accessibility, specialist staff, a loan calculator, electronic loan repayments, etc.



JOBS AND MANUFACTURING

Boosting apprenticeship wage subsidy

From 5 October 2020 to 30 September 2021, eligible businesses will be reimbursed up to 50% of an apprenticeship or trainee's wages up to \$7,000 per qtr, capped at 100,000 places. The wage subsidy aims to support school leavers and workers displaced by the Coronavirus-related downturn to secure sustainable employment.

JobMaker Hiring Credit

Over 3 years, from 7 October 2020, eligible employers will be able to claim the JobMaker Hiring Credit for each eligible employee for up to 12 months for each new job. Employers can 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.

Check out the Government Fact Sheet for more information about the JobMaker Hiring Credit at www.budget.gov.au > JobMaker > Fact Sheets

Modern manufacturing strategy

Over 5 years, the Government will provide \$1.5b to support the building of competitiveness, scale and resilience in the Australian manufacturing sector. This measure will focus on creating manufacturing strength and capability in six areas of comparative advantage and strategic interest. These six are:

- Resources technology & critical minerals processing
- Food & beverages
- Medical products
- Recycling & clean energy
- Defence
- Space



SMALL BUSINESS MEASURES

A number of measures have been announced to support businesses in the road to recovery:

1. Increase the small business entity turnover threshold from \$10m to \$50m thereby allowing more businesses to qualify for concessions.
2. Temporary full expensing measures extended so that more businesses are able to deduct the cost of eligible capital assets. This includes new depreciable assets, the cost of improvements to existing eligible assets and second-hand assets (subject to eligibility rules).
3. Temporary loss carry-back will allow an eligible business to access their losses earlier and generate a cash refund to provide a needed cash flow boost.
4. Insolvency reforms for small business include a new formal debt restructuring process for faster and less complex mechanism to restructure existing debts; a new, simplified liquidation pathway; and complementary measures to ensure the insolvency sector can respond effectively to the needs of small business.

OUR CONCLUSION

Overall, the 2020-21 Federal Budget delivered a predictable package that aims to boost the Australian economy by supporting individuals and businesses on the road to recovery from the ongoing pandemic.



If you would like to discuss how any of the above measures may impact you, please feel free to give us a call on (07) 4054 7778 or speak to us at your next review.

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