

2020 Federal Budget Snapshot

PKF



Tax Cuts – The legislated Stage 2 personal tax cuts have been backdated to 1 July 2020. Relief will be up to \$2,745 for singles and up to \$5,490 for dual income families. The total benefit of the cuts are \$17.8 billion and are expected to benefit over 11 million individuals. The majority of the benefit of the tax cuts will go to those on incomes below \$90,000. The 19% bracket increases from \$37,000 to \$45,000 and the 32.5% bracket increases from \$90,000 to \$120,000. Already withheld taxes in excess of the revised rates will not be refunded until 2021 tax returns are lodged. The new rates will apply once passed to future wage payments and withholding amounts. Further tax cuts in stage 3 will apply in the 2024/2025 year by abolishing the 37% bracket and reducing the 32.5% bracket to 30%. The marginal rates will then be 19%, 30% and 45%.



Temporary Full expensing of depreciable assets – Businesses with an aggregated turnover up to \$5 billion a year can immediately deduct the full cost of new depreciating assets. Where turnover is less than \$50 million eligible businesses can also immediately deduct the cost of assets purchased second hand. In both cases, the depreciable asset must have been acquired from 7:30pm (AEDT) on 6 October 2020 and first used or installed by 30 June 2022. In addition, small businesses (with aggregated annual turnover of less than \$10 million) can deduct the balance of their simplified depreciation pool at the end of the income year while full expensing applies.



Instant Asset Write off extension – Eligible businesses that acquire eligible new or second-hand assets under the Covid enhanced \$150,000 instant asset write-off will also have until 30 June 2021 to first use or install those assets, an extension of 6 months from 31 December 2020. This applies for asset purchases under \$150,000 and businesses with an aggregated turnover of \$50 to \$500 million.



Loss Carry Back – Eligible companies with an aggregated turnover of less than \$5 billion will be able to elect to carry back losses incurred in the 2020 FY, 2021 FY and 2022 FY to previously taxed profits in the 2019 FY or later income years to free up cash flow to support business. Tax refund will be limited to the earlier taxed profits and that the carry back does not give rise to a franking account deficit. This is likely to be made available upon lodgement of the 2021 and 2022 tax returns.



Small Business Tax concessions – The aggregated annual turnover threshold for small business tax concessions has been lifted. Businesses with an aggregated annual turnover up to \$50 million will be able to access up to 10 small business tax concessions.



Research & Development – Recognising the significant role innovation has to play in boosting manufacturing and fast-tracking recovery, the Budget announcements included a roll-back of previously announced cuts and restrictions. Refund and offset rates will be lifted, tests will be streamlined and planned increases to the cap on eligible spending will go ahead. Changes will apply from 1 July 2021. For small claimants, the refund rate will increase to 18.5 percentage points above the relevant tax rate and the proposed \$4million cap on refunds will not proceed. For larger business, the non-refundable R&D offset rates will be either 8.5 or 16.5 percentage points above the claimant's tax rate, depending on R&D intensity.



FBT – In support of upskilling and reskilling the Australian workforce, costs incurred by employers in providing eligible training benefits to redundant or soon to be redundant employees will not be subject to Fringe Benefits Tax. This measure applies from announcement and seeks to incentivise and fast-track affected employees, in returning to employment.



JobMaker – Eligible employers will receive a JobMaker Hiring Credit of \$200 per week for 16 to 29 year-olds and \$100 per week for 30 to 35 year-olds, for 12 months. Applicable for new jobs created from 7 October 2020 to 6 October 2021 and claimed quarterly in arrears from the ATO, starting from 1 February 2021. The employee will need to have been on JobSeeker, Youth Allowance or Parenting Payment for at least one of the previous three months at the time of hiring and be employed for at least 20 hours per week. Employers need to demonstrate they have increased their overall employment level and will need to report employee's payroll information through single touch payroll, among other criteria.



Superannuation – Reforms to assist members will be introduced to reduce the duplication of accounts as a result of employment changes and to streamline the provision of fund information. Superannuation funds that are part of the Government's MySuper initiative will be required to meet annual performance criteria, with consistent poor performers prohibited from receiving new members until they improve.



First Home Buyers Extension – The First Home Loan Deposit Scheme has been extended to 30 June 2021 to help another 10,000 first home buyers to buy a new home. This will allow people to buy with a deposit of as little as 5%.



ATO and ABS Additional Funding – The ATO has been granted a funding boost of \$306 million over the next four years. This is to assist with the "effective delivery of the next phase of the JobKeeper Payment and the new JobMaker Hiring Credit". In addition, the Australian Bureau of Statistics will be granted an additional \$241 million of funding over the next four years "to maintain Australia's statistics gathering and analysis capabilities to better track Australia's COVID-19 economic recovery". We expect these funding boosts to go hand in hand as a means of gathering analytics data to facilitate the ATO's compliance activity.