

2020 Federal Budget Analysis

October 6 2020

Fast-tracked tax cuts and wage subsidies for younger workers underline the Federal Government's budget.

Note: These changes are proposals only and may or may not be made law.

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>).
- **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

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.

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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.

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.

Important information

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