

9<sup>th</sup> of October 2020



The FY21 Federal budget, bringing forward many of the already legislated personal tax cuts, along with a range of measures to stimulate business investment and jobs growth. This includes a temporary loss carry-back for companies, which will provide refunds for tax already paid in prior years, and an improved instant asset write-off for businesses and the JobMaker Hiring Credit. The JobKeeper extension has already started this October and will run till early with January. It is important that you continue to **ensure your eligible employees are paid at least \$1,200 per fortnight for tier 1 employees \$750 per fortnight for tier 2 employees.**

### Lower Personal Income Taxes

In this Budget for 2020-21, the Government announced additional support to taxpayers by bringing forward the tax cuts in Stage Two of the Personal Income Tax Plan from 1 July 2022 to 1 July 2020. As a result, the top income level to which the **19 per cent tax bracket applies will be increased from \$37,000 to \$45,000 from 1 July 2020.**

Under the Government's changes, individuals will benefit from bringing forward the tax cuts in Stage 2, as well as a one-off additional benefit from the low- and middle-income tax offset in 2020-21. In 2020-21, low- and middle-income earners will receive tax relief of up to \$2,745 for singles, and up to \$5,490 for dual income families, compared with 2017-18 settings.

### Temporary Full Expensing & Instant Tax Write-off

The Government has announced a temporary measure to allow businesses to claim an immediate deduction for the full cost of eligible capital assets.

Under the new measure, businesses with aggregated annual turnover of less than \$5 billion will be able to deduct the full cost of eligible capital assets acquired from 7:30pm AEDT on 6 October 2020 and first used or installed by 30 June 2022.

Eligible assets include computers, tablets, tools for use on a work site such as drills, ladders, tool boxes, equipment like a fridge or a grill, phones, point of sale systems, or anything else that is used in the running of a business.

The cost of improvements made during this period to existing eligible depreciable assets can also be fully deducted. Eligible businesses that acquire eligible new or second-hand assets under the enhanced \$150,000 instant asset write-off by 31 December 2020 will also have an extra six months, until 30 June 2021, to first use or install those assets.

### Loss Carry Back to Support Businesses Suffering Temporary Shock

The Government will introduce a temporary loss carry-back measure to support companies suffering a temporary shock because of the COVID-19 pandemic will allow them to choose to "carry back" tax losses to be offset against tax paid in a previous income year to generate a tax refund.

Specifically, a company will be able to obtain a refundable tax offset in a loss year against previously taxed profits, subject to satisfying certain conditions. The offset is uncapped, however the amount carried back cannot be more than the earlier taxed profits.

Losses incurred in the 2019-20, 2020-21- and 2021-22-income years will be able to be carried back and offset against taxed profits from the 2018-19 or later income years only.

### New JobMaker Hiring Credit

The "JobMaker Hiring Credit" will be available to eligible employers from 7 October 2020 for **each additional new**

### job that is created for an eligible employee.

To be eligible, employers must firstly demonstrate that the new employee will increase the overall employee headcount and payroll, using total headcount on 30 September 2020, and total payroll in the three months to 30 September 2020 as the base line.

The credit will be available to most eligible employers regardless of size, with the exceptions, of employers who are already claiming JobKeeper for the same employee.

Employers will receive:

- \$200 per week if they hire an eligible **fulltime** employee aged 16 to 29 years, or
- \$100 per week if they hire an eligible **fulltime** employee aged 30 to 35 years.

The JobMaker Hiring Credit will be available for new jobs created from 7 October 2020 until 6 October 2021, and will be paid for 12 months from the date of employment of the eligible employee up to a maximum amount of \$10,400 per additional new position created.

### Additional Winners

**First home buyers scheme** – 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 at least 5 per cent. The purchase cap will also be lifted from \$750,000 to \$950,000.

**Small businesses start-ups** – Small businesses with a turnover of \$10 million to \$50 million will be able to claim up to 10 tax breaks, with fringe benefits tax scrapped on car parking, phones or laptops, simpler trading stock rules and easier PAYG instalments. It will cost the government \$105 million.

**Businesses needing to retrain workers** – Businesses will be exempt from fringe benefits tax if they reskill or retrain workers facing redundancy.

**Unemployed young people** – Employers who give a job to an unemployed young person will receive a wage subsidy, with the measure costing around \$1.2 billion.

**Apprentices** – From 5 October 2020 to 30 September 2021, businesses who take on a new Australian apprentice or trainee will be eligible for a 50 per cent wage subsidy of up to \$7,000 per quarter, regardless of geographic location, occupation, industry or business size.

**No rate cuts for companies**- Although there are tax cuts for individuals in this Federal Budget, there is no such direct tax relief for companies. This means that the current dual rate corporate tax system seems to be here to stay with only those companies that have aggregated turnover of up to \$50 million potentially eligible for a tax rate other than 30 per cent.