



2020 Federal Budget

QUICK REFERENCE GUIDE

On 6 October 2020, the Australian Government released the 2020 Federal Budget.

The below Quick Reference Guide has been prepared to summarise what we believe are the key developments that may be relevant to the majority of our clients.

We wish to stress however that this guide is intentionally not comprehensive in nature, and if you believe any of the below proposed changes (or any other changes not outlined below) may apply to you, we encourage you to contact us so that we can provide more detailed and personalised assistance.

Changes to Personal Income Tax Rates

The Government has announced that it will bring forward changes to the personal income tax rates that were due to apply from 1 July 2022, so that these changes will now apply from 1 July 2020 (i.e. this current financial year).

Rate	Current	New Thresholds
Tax Free	\$0 - \$18,200	\$0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$45,000
32.5%	\$37,001 - \$90,000	\$45,001 - \$120,000
37%	\$90,001 - \$180,000	\$120,001—\$180,000
45%	\$180,000+	\$180,000+

The key changes from these tax changes involve:

- Increasing the upper threshold of the 19% personal income tax bracket from \$37,000 to \$45,000; and
- Increasing the upper threshold of the 32.5% personal income tax bracket from \$90,000 to \$120,000.

Changes to the Low Income Tax Offset (LITO)

The Low Income Tax Offset (LITO) will increase from \$445 to \$700. The offset will reduce on a rate as follows:

- 5 cents per \$1 for taxable income between \$37,500 and \$45,000; and
- 1.5 cents per \$1 for taxable income between \$45,000 and \$66,667.

Changes to the Low and Middle Income Tax Offset (LMITO)

The Low and Middle Income Tax Offset (LMITO) was set to cease for the 2020-21 income year, however will remain in place for another 12 months under the reduced tax rates.

Individual Taxpayers with income between \$48,000 and \$90,000 will be eligible to receive a maximum offset of \$1,080. The offset will phase out gradually as the taxpayers income increases, with the offset reducing to \$0 to taxpayers with a taxable income of \$126,000 or more.

Increase in the Small Business Tax Concession Threshold

The government has announced that it will expand a range of small business tax concessions by increasing the small business entity (SBE) turnover from \$10 million to \$50 million. Businesses with a turnover of up to \$50 million will have access to small business concessions such as:

- Immediate deductions for eligible start-up expenses and prepaid expenditure (from 01/07/2020)
- Simplified accounting for FBT (from 01/04/2021)
- Access to the simplified trading stock rules, calculating PAYGI on GDP adjusted notional tax, and excise duties on a monthly basis (from 01/07/2021)
- 2 year income tax amendment period (from 01/07/2020)

JobMaker Hiring Credit

A weekly payment will be provided for up to 12 months, to businesses who hire new employees between 16 and 35 years old. Eligible employers who can demonstrate that the new employee will increase the overall employee headcount will receive:

- \$200 per week if they hire an eligible employee aged 16 to 29 years old
- \$100 per week if they hire an eligible employee aged 30 to 35 years old

Certain employers are excluded, most notably employers who are continuing to claim the JobKeeper payment. Employers who are not receiving JobKeeper 2.0 however will be eligible for this credit.

Certain conditions of employment need to be satisfied in order to receive this JobMaker credit. We would recommend getting in touch with us to discuss your eligibility for this scheme.

Boosting Apprenticeships Wage Subsidy

If a new apprentice or trainee commences employment between 5 October 2020 and 30 September 2021, businesses of any size will be reimbursed an amount of up to 50% of the new apprentice or trainees' wages. This reimbursement is capped at \$7,000 per quarter and is limited to 100,000 apprentices or trainees across Australia.

Temporary Loss Carry-Back for Companies

Eligible companies with a turnover of up to \$5 billion will be able to carry back tax losses incurred in the 2019-20, 2020-21 and 2021-22 financial years to offset previously tax profits from the 2018-19 or later financial years.

Corporate tax entities can apply tax losses against taxed profits in a previous year, generating refundable tax offset in the year in which the loss is made. This refund will be available on election by eligible corporate tax entities when lodging their 2020-21 and 2021-22 income tax returns.

Example:

In the 2020 financial year, an eligible company made a taxable profit of \$100,000 and was taxed at 30%. The company paid \$30,000 in income tax.

In the 2021 financial year, the same company made a tax loss of \$40,000.

In their 2021 tax return, the company makes an election to utilise the carry-back loss rules.

The taxable income of the 2020 year is retrospectively adjusted to \$60,000 by utilising this \$40,000 loss, meaning they should have paid \$18,000 in tax instead of \$30,000 for this income year.

When lodging their 2020-21 tax return, this company will receive this difference as a refundable tax credit of \$12,000.

Instant Asset Write Off for Depreciable Assets

The Government has announced that it will amend the tax law so that businesses with aggregated annual turnover of up to \$5 billion will be able to deduct the full cost of eligible assets in the year they are first used.

This applies to eligible capital assets acquired and installed ready for use from 7:30pm AEDT on 6 October 2020 and will remain in place until the 30th June 2022.

Full expensing in the year of first use will apply to:

- New depreciating assets
- The cost of improvements to existing eligible assets
- For small and medium businesses (aggregated turnover of up to \$50m) – second hand assets.

Eligible businesses	Date range for when asset first used or installed ready for use	Threshold
Less than \$5 billion aggregated turnover	6 October 2020 to 30 June 2022	Unlimited
Less than \$500 million aggregated turnover	12 March 2020 to 5 October 2020	\$150,000
Less than \$50 million aggregated turnover	2 April 2019 to 11 March 2020	\$30,000

Additionally, businesses with under \$10 million turnover will also be entitled to deduct the full closing balance of their simplified depreciation pool at the end of the income year (commencing from 01/07/2020).

If you have any queries or concerns in relation to the above, please do not hesitate to contact our office on 08 8361 0200. We are always happy to help.



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