

CWM's 2020-21 Federal Budget Summary

..... and what it means for you.



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Overview

Originally scheduled for release on the 12th of May 2020, Treasurer Josh Frydenberg released the Federal Government's 2020-21 Budget on the 6th of October 2020.

In what should always be very welcome news for retirees, there are no significant changes to the superannuation system.

And in what should always be welcome news for workers, there are some income tax cuts.

Other than support for business (of all sizes), the 2020-21 Budget is pretty much all about spending - so let us hope it is possible to spend your way out of trouble.

Some of the key statistics coming from the Budget include:

- The underlying deficit for 2020-21 is forecast to be \$213.7 billion (that's 213,000 millions. Or put another way, \$1 million debt for every 117 citizens. In one year.)
- Gross debt is projected to be 44.8% of GDP by the end of 2020-21 (\$872 billion)
- The Consumer Price Index is expected to remain under 2% per annum until mid-2022.

Key proposals include:

- Tax cuts for low and middle income earners through bringing forward the 'Stage 2' tax relief, increasing the Low Income Tax Offset and retaining the Low and Middle Income Tax Offset in the current tax year.
- Temporary full expensing to encourage business investment, and tax changes to help businesses offset their tax losses against past profits. Additional payments (comprising two amounts of \$250) for eligible income support recipients and concession card holders.
- A capital gains tax exemption for granny flat rights supported by a formal written agreement.

Please note, all the announcements still need to pass through Parliament; until then they can be viewed as merely a statement of intent. In addition, the devil is always in the detail, and the details aren't yet fully known.

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Superannuation & Pensions

Fund stapling

From 1 July 2021, when an employee changes jobs, their new employer will automatically contribute to the employee's existing super fund.

COMMENT: This measure will avoid the unnecessary creation of additional super accounts when members change employers.

Taxation

Tax cuts

The Government has announced plans to bring forward tax cuts planned for 1 July 2022, backdating them to 1 July 2020.

The changes include:

- Increasing the upper threshold for the 19% tax rate from \$37,000 to \$45,000
- Increasing the threshold for the 32.5% tax bracket from \$90,000 to \$120,000

This will have the following impact:

Taxable income	Tax payable in 2020-21 BEFORE budget changes	Proposed for 2020/21	
		Tax payable	Tax saved
\$40,000	\$4,260	\$3,887	\$373
\$80,000	\$18,040	\$16,987	\$1,053
\$120,000	\$34,100	\$31,687	\$2,413
\$160,000	\$49,870	\$47,467	\$2,403
\$200,000	\$67,035	\$64,667	\$2,368

Capital gains tax – granny flats

From 1 July 2021, the Government plans to exempt granny flats from capital gains tax.

Under the measure, capital gains tax will not apply to the creation, variation, or termination of a formal granny flat arrangement that provides accommodation to older Australians or people with disabilities. This concession will only apply to arrangements entered because of family relationship or other personal ties and will not be available to broader commercial rental arrangements.

Small Business

Tax concessions

Tax concessions to small businesses with a turnover of up to \$50 million will be expanded as follows:

From 1 July 2020, eligible businesses would be able to immediately deduct start-up expenses and certain pre-paid expenditure.

From 1 April 2021, eligible businesses will be exempt from fringe benefit tax (FBT) on car parking and multiple work-related portable electronic devices.

From 1 July 2021, eligible businesses will have simplified trading stock rules, a change to calculation of Pay-As-You-Go instalments and changes to excise and customs duty. A two-year amendment period would apply for income tax returns starting 1 July 2021.

Temporary full expensing of capital assets

From 7 October 2020

Businesses with an aggregated turnover of less than \$5 billion will be able to deduct the full cost of eligible capital assets acquired from 7 October 2020 and used or installed by 30 June 2022.

Also, in that period:

- Small businesses with an aggregated turnover of less than \$10 million can claim a deduction for the full balance of their simplified depreciation pool, and
- Businesses with an aggregated turnover of less than \$50 million can also expense second hand assets.

Temporary loss carry-back

From 1 July 2020

Companies with an aggregated turnover of less than \$5 billion can carry back losses in each of 2019/20, 2020/21 and 2021/22 tax years against any profits in 2018/19 or later years. This will allow an eligible business to access their losses earlier and generate a cash refund to provide a needed cash flow boost for the corporate business.

JobMaker hiring credit

From 7 October 2020

A hiring credit will be paid to employers who hire eligible employees aged between 16 and 35. The credit will be paid quarterly in arrears at the rate of \$200 per week for those age 16 to 29, and \$100 per week for those age 30 to 35.

To be eligible, employers will need to demonstrate an increase in overall employee headcount and payroll for each additional new position created.

Apprenticeships wage subsidy

From 5 October 2020

From 5 October 2020 to 30 September 2021, businesses of any size will be able to claim a new Boosting Apprentices Wage Subsidy for new apprentices or trainees who commence during this period. Eligible businesses will be reimbursed up to 50% of an apprentice or trainee's wages worth up to \$7,000 per quarter, capped at 100,000 places.

Social Security

Further economic stimulus payments

From November 2020 (first payment) and early 2021 (second payment)

Two \$250 payments to people receiving Centrelink income support payments or concession card holders, including the Commonwealth Seniors Health Care Card.

COMMENT: If you received the two \$750 Economic Support Payments earlier in the year, you should receive the two \$250 payments.



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WEALTH MANAGEMENT

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