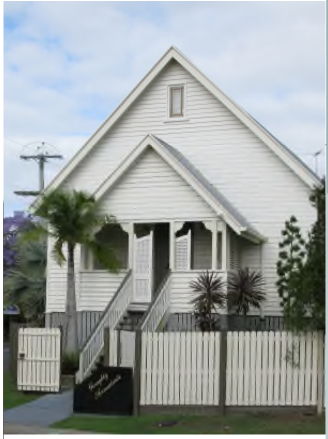

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REFERRALS

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OCTOBER 2020 **NEWSLETTER** **ISSUE 22**

Peter's Perspective

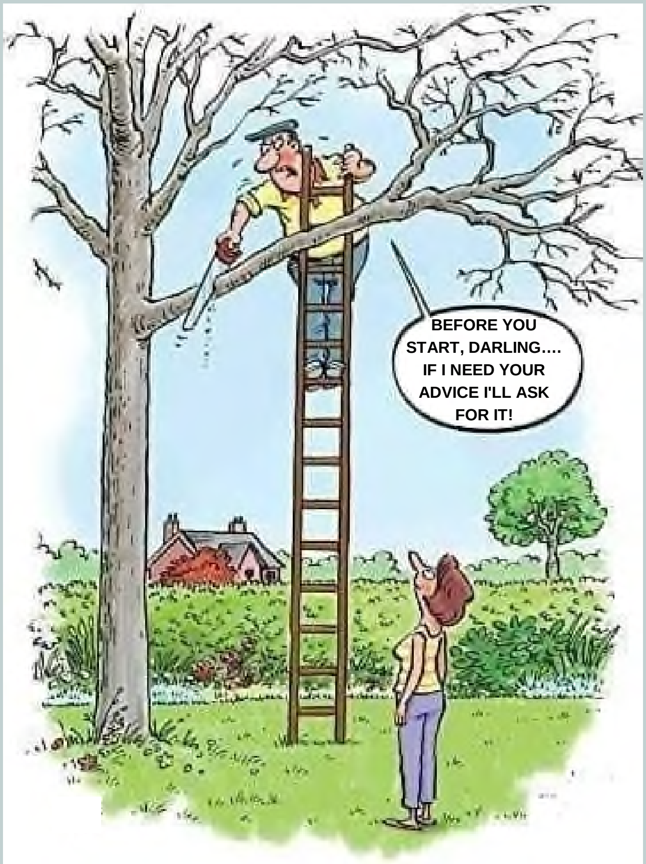
The Federal Treasurer, Josh Frydenberg, has brought down his long awaited 2020/2021 Budget. There seems to be goodies for everyone, bar self-funded retirees. Taxpayers will welcome some tax relief and businesses can avail themselves of the immediate tax write-offs for capital expenditure.

The Covid 19 pandemic has caused governments around the world to rethink their economic strategies, and our Australian Government is no exception. The American elections draw to a close on Melbourne Cup day, so some of the uncertainties now affecting the world economy will hopefully be settled.

Please contact either myself, Susan, Karyn, or Brenden to discuss or clarify any aspects of the budget. Please don't be afraid to ask for help. That's why we are here.

I hope you all remain safe and benefit from this budget. Some things take time. Warren Buffet once said "No matter how great the talent or efforts, some things take time. You can't produce a baby in one month by getting nine women pregnant".

Cheers, Peter.



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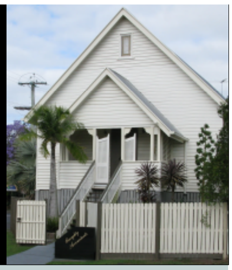
NEWSLETTER
OCTOBER 2020



Originally scheduled for release on 12 May 2020, the delayed Federal Budget was released on 6 October 2020. The delay of course having resulted from the world's attention being diverted to managing the COVID-19 pandemic.

This year has been unprecedented with the Government committing tremendous resources and financial support to its response to the pandemic. It is only to be expected that the Government's response would result in a significant impact on the economy and the state of the nation's finances.

This year's Budget is all about stimulus – kick starting the economy, getting people back to work, and encouraging Australians to spend money. And, at the same time, providing support where it is needed.

INDIVIDUALS

In its 2019 Budget, the Government announced a range of tax cuts that would take effect in later years. As part of its commitment to responding to the coronavirus, the Government has announced plans to bring forward tax cuts planned for 1 July 2022, backdating them to 1 July 2020.

The changes, expected to inject $12b into take-home pay include:

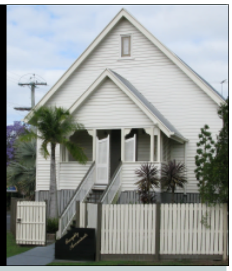
- Increasing the upper threshold for the 19% tax rate from $37,000 to $45,000
- Increasing the threshold for the 32.5% tax bracket from $90,000 to $120,000
- The Low Income Tax Offset (LITO) is to increase from $445 to $700

Personal income tax rates and thresholds					
2018/2019 to 2021/2022		**2022/2023 to 2023/2024**		**2024/2025 onwards**	
Tax Rate (%)	Income Range ($)	Tax Rate (%)	Income Range ($)	Tax Rate (%)	Income Range ($)
0	0 - 18,200	0	0 - 18,200	0	0 - 18,200
19	18,201 - 37,000	19	18,201 - **45,000**	19	18,201 - 45,000
32.5	37,001 - 90,000	32.5	**45,001** - **120,000**	**30**	45,001 - **200,000**
37	90,001 - 180,000	37	**120,001** - 180,000	37	**N/A**
45	180,001 +	45	180,001 +	45	**200,001 +**

The tax cuts will result in an immediate tax savings across a wide range of incomes. These changes have already been passed through Parliament and employers will need to begin using the new tax scales as soon as possible. Software providers are being encouraged to make the changes by mid-November.

The figures in the following table show the potential tax saving for those on various levels of taxable income. The tax payable amounts include the Low Income Tax Offset and the Low to Middle Income Tax Offset, where applicable. The Medicare Levy has also been included.

Taxable Income	**Tax Payable 2019/2020**	**Tax Payable 2020/2021**	**Tax Saving**
$40,000	$4,467	$3,887	$580
$60,000	$11,067	$9,987	$1,080
$80,000	$18,067	$16,987	$1,080
$100,000	$25,717	$24,187	$1,530
$140,000	$42,097	$39,667	$2,430
$180,000	$57,697	$55,267	$2,430
$200,000	$67,097	$64,667	$2,430



BUSINESS

Small business tax concessions
Further tax relief and a reduction in red tape is to be offered to businesses with an aggregated annual turnover of between $10m and $50m. These businesses will have access to several of the tax concessions currently available to small businesses with a turnover of less than $10m. The expanded concessions will be applied in three phases from 1 July 2020, 1 April 2021, and from 1 July 2021.

- From 1 July 2020, eligible businesses will be able to immediately deduct certain start-up and prepaid expenses
- From 1 April 2021, eligible businesses will be exempt from fringe benefits tax on car parking and multiple work-related portable electronic devices (phones, laptop etc.) provided to employees.
- From 1 July 2021, eligible businesses will be able to use the simplified trading stock rules and have a reduced time frame of 2 years for the ATO to audit and amend their tax returns (currently 4 years).

Immediate Deduction of Capital Assets Purchased
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 (ie Budget night) and first used or installed by 30 June 2022.

Full expensing in the year of first use will apply to new depreciable assets and the cost of improvements to existing eligible assets. For small and medium sized businesses (ie those with aggregated annual turnover of less than $50 million), full expensing will also apply to second-hand assets.

Businesses with aggregated annual turnover between $50 million and $500 million can still deduct the full cost of eligible second-hand assets costing less than $150,000 that are purchased by 31 December 2020 under the current instant asset write-off rules. Businesses that hold assets eligible for the $150,000 instant asset write-off will have an extra 6 months, ie until 30 June 2021, to first use or install such assets.

Small businesses (with aggregated annual turnover of less than $10 million) can also deduct the balance of their simplified depreciation pool at the end of the income year while full expensing applies.

Loss Carry-back for Companies.
Corporate tax entities, with an aggregated turnover of less than $5 billion, will be allowed to carry back tax losses from the 2019-20, 2020-21 or 2021-22 income years to offset previously taxed profits in 2018-19 or later income years. This will generate a refundable tax offset in the year in which the loss is made.

The tax refund will be limited by requiring that the amount carried back to not exceed the earlier taxed profits and to not generate a franking account deficit. The tax refund will be available on election by eligible businesses when they lodge their 2020-21 and 2021-22 tax returns. Companies that do not elect to carry back losses under this measure can carry losses forward as normal.

Please note that this does only relate to businesses that trade directly through a company. A trust with a company acting as trustee will not benefit from these proposed changes.

Apprenticeship wage subsidy expanded
The apprenticeship wage subsidy program announced in the July 2020 Economic and Fiscal Update, will be expanded to allow businesses of any size to claim the subsidy.

Eligible businesses that employ apprentices or trainees will be eligible to receive up to a 50% wage subsidy, up to $7,000 per quarter, capped at 100,000 places.

This new measure will run from 5 October 2020 to 30 September 2021.

BUSINESS - Continued

JobMaker Hiring Credit

From 7 October 2020, eligible employers will be able to claim $200 a week for each additional eligible employee they hire aged 16 to 29 years old, and $100 a week for each additional eligible employee aged 30 to 35 years old. New jobs created until 6 October 2021 will attract the credit for up to 12 months from the date the new position is created.

The JobMaker Hiring Credit will be claimed quarterly in arrears by the employer from the ATO from 1 February 2021. Employers will need to report quarterly that they meet the eligibility criteria. The amount of the credit is capped at $10,400 for each additional new position created. Furthermore, the total credit claimed by an employer cannot exceed the amount of the increase in payroll for the reporting period in question (see employer eligibility requirements below).

Employees may be employed on a permanent, casual or fixed term basis. To be an **'eligible employee'**, the employee must:

- be aged (at the time their employment started) either:
    - 16 to 29 years old, to attract the payment of $200 per week; or
    - 30 to 35 years old to attract the payment of $100 per week;
- have worked at least 20 paid hours per week on average for the full weeks they were employed over the reporting period;
- have commenced their employment during the period from 7 October 2020 to 6 October 2021;
- have received the JobSeeker Payment, Youth Allowance (Other), or Parenting Payment for at least one month within the past three months before they were hired; and
- be in their first year of employment with this employer and must be employed for the period that the employer is claiming for them.

Certain exclusions apply, including employees for whom the employer is also receiving a wage subsidy under another Commonwealth program.

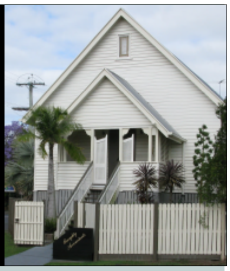
An employer is able to access the JobMaker Hiring Credit if the employer:

- has an ABN;
- is up to date with tax lodgement obligations;
- is registered for Pay As You Go withholding;
- is reporting through Single Touch Payroll;
- is claiming in respect of an 'eligible employee';
- has kept adequate records of the paid hours worked by the employee they are claiming the hiring credit in respect of; and
- is able to demonstrate that the credit is claimed in respect of an additional job that has been created. Broadly, there must be an increase in the business' total employee headcount and also in the payroll of the business for the reporting period (based on a comparison over a specified reference period).

Employers do not need to satisfy a fall in turnover test to access the JobMaker Hiring Credit.

Certain employers are excluded, including those who are claiming the JobKeeper payment.

New employers created after 30 September 2020 are not eligible for the first employee hired but are (potentially) eligible for the second and subsequent eligible hires.



SUPERANNUATION

The Government will provide $159.6 million over four years to implement reforms which it hopes will improve outcomes for superannuation fund members.

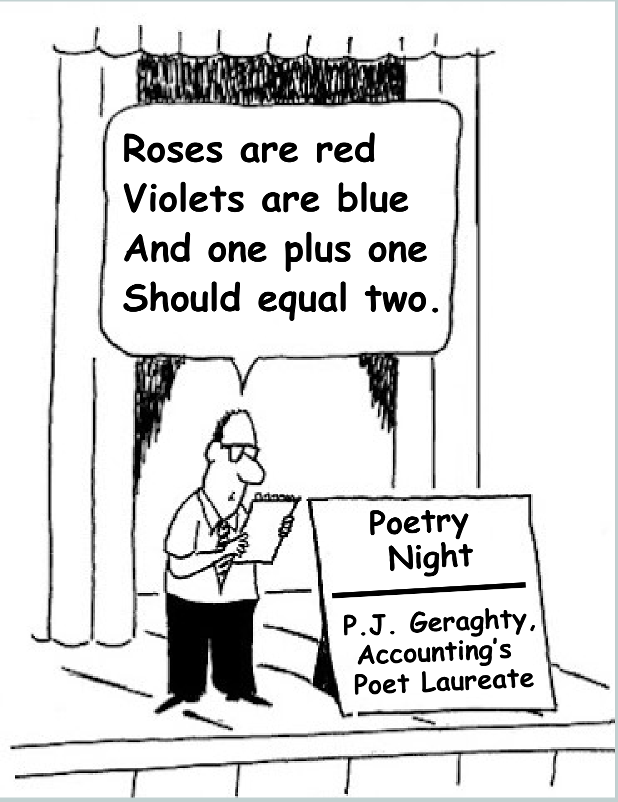
Currently, structural flaws in the superannuation system mean that unnecessary fees and insurance premiums are paid on multiple accounts, members pay too much in super fees, underperforming products are costing members in lost retirement savings, and there is inadequate transparency on how funds are spending members' money.

From 1 July 2021, the proposed reforms will make the system better for members in four key ways:

Your superannuation follows you – An existing superannuation account will be 'stapled' to a member to avoid the creation of a new account when that person changes their employment. If an employee does not nominate an account at the time they start a new job, employers will pay their superannuation contributions to their existing fund. Employers will obtain information about the employee's existing superannuation fund from the ATO. If an employee does not have an existing superannuation account and does not elect a fund, the employer will pay the employee's superannuation into their nominated default superannuation fund.

Empowering members – A new, interactive, online *YourSuper* comparison tool will help members decide which super product best meets their needs. The YourSuper online tool will:

- provide a table of simple superannuation products (MySuper) ranked by fees and investment returns
- link to superannuation fund websites where individuals can choose a MySuper product, and
- prompt individuals with multiple accounts to consider consolidating accounts.



Holding funds to account for underperformance – *MySuper* products will be subject to an annual performance test. Funds that underperform will need to inform their members. Funds that fail two consecutive underperformance tests will not be permitted to receive new members unless their performance improves. By 1 July 2022, annual performance tests will be extended to other superannuation products.

Increased accountability and transparency – The Government will strengthen obligations on superannuation trustees to ensure their actions are consistent with members' retirement savings being maximised. For example, trustees will be required to comply with a new duty to act in the best financial interests of members.