

Federal Budget 2020-21 round-up

Find out how the measures announced in last night's Federal Budget could affect you.

Last night, Federal Treasurer Josh Frydenberg handed down his long-awaited 2020-21 Federal Budget. Among the proposed changes, he announced income tax savings and superannuation reforms.

Read on for a round-up of the proposals, and a look at how they might affect your household expenses and financial future, whatever your stage of life.

Remember, at the moment these are only proposals and could change as legislation passes through parliament.

Superannuation

1. Superannuation reforms

Proposed effective date: 1 July 2021

The Federal Government has announced superannuation measures designed to reduce the number of duplicate accounts following changes in employment, and prevent new members joining underperforming funds.

- New employees will have access to a **YourSuper portal**, which will:
 - provide a table of simple MySuper products ranked by fees and investment returns
 - link to super fund websites where they can **choose a MySuper product**
 - show their current super accounts and prompt them to consider consolidating accounts where they have more than one.
- An existing super account will be **'stapled'** to a member to avoid creating a new account when they change employment.
- **Underperforming MySuper products** won't be allowed to receive new members until their performance improves.
- **Super trustees** will need to make sure their actions are consistent with members' retirement savings being maximised.

2. Other super measures

Proposed effective date: various

There was little movement on a number of previously announced super measures.

- **The proposed change to increase the age for non-concessional contribution bring-forward purposes to age 67.** The bill to enact this previously announced measure is still before parliament.
- **The COVID-19 temporary early release of super measure.** Eligible Australian and New Zealand citizens and permanent residents continue to be allowed just one withdrawal opportunity of up to \$10,000 from 1 July 2020 until 31 December 2020.
- The government restated the deferred start date for previously announced **self-managed super fund (SMSF) measures.**
 - Increasing the maximum number of members allowed in an SMSF from four to six.
 - Changes to the calculation of exempt current pension income.

Taxation – general

1. Personal income tax cuts brought forward

Proposed effective date: various

The government is proposing to bring forward, and retrospectively start from **1 July 2020**, the personal income tax cuts that were due to start from 1 July 2022.

The Low and Middle Income Tax Offset (LMITO) will be retained, but only until 30 June 2021. The increase in the Low Income Tax Offset (LITO) from \$445 to \$700 is also proposed to be brought forward to 2020-21.

New proposed personal tax rates and thresholds

| Marginal tax rate ⁽ⁱ⁾ (%) | Thresholds – income range 2019-20 (\$) | Thresholds – income range from 2020-21, 2021-22, 2022-23, and 2023-24 (\$) | Thresholds – MTR (%) and income range from 1 July 2024 (\$) |
|--------------------------------------|--|--|---|
| 0 | 0 – 18,200 | 0 – 18,200 | 0% 0 – 18,200 |
| 19 | 18,201 – 37,000 | 18,201 – 45,000 | 19% 18,201 – 45,000 |
| 32.5 | 37,001 – 90,000 | 45,001 – 120,000 | 30% 45,001 – 200,000 |
| 37 | 90,001 – 180,000 | 120,001 – 180,000 | – |
| 45 | > 180,000 | > 180,000 | 45% > 200,000 |
| LMITO | Up to 1,080 | Up to 1,080 (to 30 June 2021 only) | – |
| LITO | Up to 445 | Up to 700 | Up to 700 |

(i) Excluding 2% Medicare Levy.

- The tax cuts already legislated to commence from 1 July 2024 remain unchanged.
- Neither LITO nor LMITO is a refundable tax offset, so they can reduce tax liability to nil but not reduce liability for Medicare levy.

Effective tax-free threshold (2020-21):

| Effective tax-free threshold 2020-21 (proposed) | |
|---|-------------------------------|
| LITO and LMITO (Individuals below Age Pension age) | \$23,226⁽ⁱ⁾ |

(i) Some Medicare levy may be payable.

2. Removing capital gains tax (CGT) for granny flat arrangements

Proposed effective date: 1 July 2021

The government is proposing to provide a CGT exemption

for granny flat arrangements where there is a formal written agreement to provide accommodation for older Australians or people with disabilities.

This proposed change will only apply to agreements entered into because of family relationships or other personal ties and not to commercial rental arrangements. This proposal is intended to protect the rights and interests of older Australians who enter into such residential arrangements with family members by allowing for a formal agreement, without creating the potential CGT issues that may currently arise.

Social security, families and aged care

1. Further economic support payments for income support recipients

Proposed effective date: From November 2020 (first payment) and early 2021 (second payment)

The government will provide **two** economic support payments of **\$250 each** to recipients of the following social security payments or concession cards:

- Age Pension
- Disability Support Pension
- Carer Payment

- Carer Allowance (not in receipt of a primary income support payment)
- Commonwealth Seniors Health Card
- Pensioner Concession Card (not in receipt of a primary income support payment)
- Family Tax Benefit, including Double Orphan Pension
- eligible Department of Veterans' Affairs (DVA) payment recipients and concession card holders.

The payments are exempt from tax and will not count as income for any income support payment.

2. Temporarily relaxing the Paid Parental Leave work test

Proposed effective date: 22 March 2020

This concessional work test arrangement will support new parents whose employment was interrupted by the COVID-19 pandemic.

Under the current rules, to meet the Paid Parental Leave work test a parent must have worked in 10 of the last 13 months preceding the birth or adoption of a child.

The government is proposing to relax the work test for births and adoptions that occur between **22 March 2020 and 31 March 2021** to allow parents to qualify for the payment if they have worked in **10 of the last 20 months** preceding the birth or adoption of a child.

3. Release of additional home care packages

Proposed effective date: 2020-21 onwards

The government will support older Australians accessing aged care by providing **23,000 additional home care packages** over four years.

Housing affordability

Extension of first home loan deposit scheme

Proposed effective date: 6 October 2020

The government will allow an additional **10,000 first home buyers** to obtain a loan to build a new home or purchase a newly built home with a deposit of as little as 5% under the existing **First Home Loan Deposit Scheme**.

Applications, which are made through participating lenders, will be available until 30 June 2021.

Eligible first home buyers may also be able to take advantage of the **First Home Super Saver Scheme** to use the concessional tax superannuation system to save their first home deposit.

In addition, under the **HomeBuilder Scheme**, existing owner-occupiers, including first home buyers, may be eligible for a grant of \$25,000 to build or substantially renovate an existing home. First home buyers may also be eligible for state and territory grants and concessions.

These measures are designed to promote home ownership and support employment in the construction industry.

Proposed changes for business – taxation

1. Temporary full expensing of capital assets

Proposed effective date: 7.30pm, 6 October 2020

Businesses with aggregated annual turnover of less than \$5 billion will be allowed to deduct the full cost of eligible capital assets acquired from Budget night and first used or installed by 30 June 2022.

2. Temporary loss carry-back

Eligible companies 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.

3. Expanding access to some small business tax concessions

Proposed effective date: various

Businesses with an aggregated annual turnover of \$10 million or more but less than \$50 million will have access to up to 10 small business tax concessions.

Other related measures

Proposed effective date: various

- Businesses taking on a new apprentice will be eligible for a **50% wage subsidy**, up to certain limits.
- Organisations taking on new employees may qualify for the new **JobMaker Hiring Credit**. Depending on the age of the new employee, a weekly credit of \$200 (for each new employee aged 16 – 29) or \$100 (for each new employee aged 30 – 35) will be available to eligible employers over 12 months from 7 October 2020 for each additional new job they create for an eligible employee.
- Employers who provide retraining and reskilling benefits to redundant, or soon to be redundant, employees where the benefits may not be related to their current employment will be eligible for an **exemption from the 47% fringe benefits tax**.

What you need to know

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