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2020-21 Federal Budget ..
.. at a glance

Earlier this evening the Treasurer, Mr Josh Frydenberg, delivered his second Budget at a time when the Australian economy is in recession as a result of the COVID-19 pandemic.

Australia's economic and health outcomes compare favourably with those of most other countries. Australia experienced a smaller fall in GDP than every major advanced economy over the first half of 2020. Nevertheless, the Australian economy is currently in recession as a result of the COVID-19 pandemic, its first in almost 30 years.

There remains substantial uncertainty around the global and domestic outlook, as well as the extent of any longer-lasting economic effects from the pandemic. This stems largely from uncertainty around the spread of the virus and the success of health interventions, as well as uncertainty around the timing and efficacy of vaccines and other medical treatments. Uncertainty and the re-introduction of containment measures could substantially reduce activity.

The underlying cash balance in 2020-21 is expected to be a deficit of $213.7 billion, equivalent to 11.0 per cent of GDP. The budget position is expected to improve across the forward estimates to a deficit of $66.9 billion in 2023-24 and to further improve over the medium term to a deficit of $49.5 billion, equivalent to 1.6 per cent of GDP in 2030-31.

Nominal GDP is forecast to fall by 1¾ per cent in 2020-21 and grow by 3¼ per cent in 2021-22. The increase in nominal GDP growth in 2021-22 is not expected to be as strong as the recovery in real GDP growth in that year.

Executive summary

Superannuation

Superannuation reforms – Your Future, Your Super

The Government will implement reforms to superannuation to improve outcomes for super fund members. The reforms, which will reduce the number of duplicate accounts held by employees as a result of changes in employment and prevent new members joining underperforming funds, include:

- the Australian Taxation Office will develop systems so that new employees will be able to select a superannuation product from a table of MySuper products through the YourSuper portal.
- an existing superannuation account will be 'stapled' to a member to avoid the creation of a new account when that person changes their employment.
- from July 2021 the Australian Prudential Regulation Authority will conduct benchmarking tests on the net investment performance of MySuper products, with products that have underperformed over two consecutive annual tests prohibited from receiving new members until a further annual test that shows they are no longer underperforming. Non-MySuper accumulation products where the decisions of the trustee determine member outcomes will be added from 1 July 2022. The funding for this initiative will be met through an increase in levies on regulated financial institutions.
- improved transparency and accountability of superannuation funds by strengthening obligations on superannuation trustees to ensure their actions are consistent with members' retirement savings being maximised.

Other superannuation measures

- Additional funding to address serious and organised crime in the tax and superannuation system.
- Revised start dates Superannuation Measures including:
    - *Superannuation — reducing red tape for superannuation funds* (exempt current pension income changes); has been revised from 1 July 2020 to 1 July 2021
    - *Cutting Red Tape – lost and unclaimed superannuation*, to allow the ATO to pay lost and unclaimed superannuation amounts directly to New Zealand KiwiSaver accounts, has been revised from 1 July 2016 to six months after the date of Royal Assent of the enabling legislation.
    - *Superannuation — increasing the maximum number of allowable members in self-managed superannuation funds and small APRA funds from four to six* has been revised from 1 July 2019 to the date of Royal Assent of the enabling legislation.
    - The commencement of the *Retirement Income Covenant* from 1 July 2020 to 1 July 2022 to allow continued consultation and legislative drafting to take place during COVID-19. This will also allow finalisation of the measure to be informed by the Retirement Income Review.
    - The closure of ERFs to adjust various reporting and rollover dates.

Personal Taxation

- As part of the JobMaker Plan, approximately 11 million taxpayers will benefit from a tax cut backdated to 1 July 2020 in a bid to increase spending and boost economic activity. The government will bring forward its legislated tax cuts by two years, lifting the 19% threshold from $37,000 to $45,000, and lifting the 32.5% threshold from $90,000 to $120,000.
- The Government will retain the Low and Middle Income Tax Offset (LMITO) for the 2020-21 income year, providing further targeted tax relief for low- and middle-income earners.
- The Medicare levy low-income thresholds will increase for singles from $22,398 to $22,801. The family threshold from $37,794 to $38,474. For single seniors and pensioners, the threshold will be increased from $35,418 to $36,056. The family threshold for seniors and pensioners will be increased from $49,304 to $50,191. For each dependent child or student, the family income thresholds increase by a further $3,533, instead of the previous amount of $3,471.
- The Government will provide a targeted capital gains tax (CGT) exemption for granny flat arrangements where there is a formal written agreement. The exemption will apply to arrangements with older Australians or those with a disability.

Other taxation measures

- *Tax Integrity – removing the capital gains discount at the trust level for Managed Investment Trusts and Attribution MITs* (as amended by the 2018-19 MYEFO measure Revised start dates for tax measures) has been revised from 1 July 2020 to the income year commencing on or after three months after the date of Royal Assent of the enabling legislation

Support for businesses

- The Government will expand access to a range of small business tax concessions by increasing the small business entity turnover threshold for these concessions from $10 million to $50 million. This means businesses with an aggregated annual turnover of $10 million or more but less than $50 million will for the first time have access to up to ten further small business tax concessions.
- The Government will also support businesses with aggregated annual turnover of less than $5 billion by enabling them to deduct the full cost of eligible capital assets acquired from 7:30pm AEDT on 6 October 2020 (Budget night) and first used or installed by 30 June 2022.
- From 1 July 2021, the Commissioner of Taxation's power to create a simplified accounting method determination for GST purposes will be expanded to apply to businesses below the $50 million aggregated annual turnover threshold, simplifying eligibility and reducing red tape for around 20,000 businesses.
- The Government will allow eligible companies 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.
- From 7 October 2020, eligible employers will be able to claim a "hiring credit" of $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, subject to eligibility requirements.
- From 5 October 2020 to 30 September 2021, businesses of any size can claim the new Boosting Apprentices Wage Subsidy for new apprentices or trainees who commence during this period.
- Exemption from the 47% fringe benefits tax (FBT) will apply for employer provided retraining and reskilling benefits provided to redundant, or soon to be redundant employees where the benefits may not be related to their current employment.

COVID-19 Response Package

- As part of further support for people not in work, the Government will offer two more tax-free payments of $250 to pensioners and others on government support. The first payment will be in November, followed by a second instalment early next year.
- Up to 10 additional psychological therapy sessions each calendar year nationally under the Better Access to Psychiatrists, Psychologists and General Practitioners will be included in the Medicare Benefits Schedule (Better Access) initiative. This will increase access to mental health care for all Australians who are experiencing more severe or enduring mental health impacts from the COVID-19 pandemic.
- The following previously announced COVID-19 Response Package measures have been formally addressed in the Budget:
    - Temporary early access to superannuation
    - Temporarily reducing superannuation minimum drawdown rates
    - JobKeeper payment and extension
    - Backing business investment
    - Increasing and extending the instant asset write-off
    - Child-care support
    - Supporting apprentices and trainees
    - JobSeeker Partner Income Test measure
    - Payments to support households
    - Making Victoria's business support grants non-assessable, non-exempt income for tax purposes

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Other measures

- Additional funding will be provided to improve the access and affordability of Private Health insurance including increasing the maximum age of dependants allowed from 24 to 31; and enhancements to the Medical Costs Find website.
- The Government will strengthen its response to natural disasters and other civil emergencies by streamlining the process for calling out Reservists, supporting the capacity of Australian Defence Force members and Defence personnel to assist with disaster and emergency responses, and ensuring Called Out Reservists receive access to military superannuation and related benefits.

Superannuation

Superannuation Reform – Your Future, Your Super

The Government will provide $159.6 million over four years from 2020-21 to implement reforms to superannuation to improve outcomes for superannuation fund members. The reforms, which will reduce the number of duplicate accounts held by employees as a result of changes in employment and prevent new members joining underperforming funds, include:

1. To prevent the creation of unintended multiple super accounts and the erosion of super balances, a new super account will no longer be created automatically every time an individual starts a new job. Instead, their super will be 'stapled' to them. Employers will pay super to an existing fund if the individual has one unless they select another fund. By 1 July 2021:
    - 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 make a decision regarding a fund, the employer will pay the employee's superannuation into their nominated default superannuation fund.

2. A new, interactive, online **YourSuper** comparison tool will help individuals decide which super product best meets their needs. By 1 July 2021, the YourSuper tool will:
    - Provide a table of simple super products (MySuper) ranked by fees and investment returns.
    - Link individuals to super fund websites where they can choose a MySuper product.
    - Show individual's current super accounts and prompt them to consider consolidating accounts if they have more than one.

3. The Government is ensuring individual's hard-earned retirement savings are protected from underperforming super funds. By 1 July 2021:
   - MySuper products will be subject to an annual performance test.
   - If a fund is deemed to be underperforming, it will need to inform its members of its underperformance by 1 October 2021.
   - When funds inform their members about their under-performance, they will also be required to provide them with information about the YourSuper comparison tool.
   - Underperforming funds will be listed as underperforming on the YourSuper comparison tool until their performance improves.
   - Funds that fail two consecutive annual underperformance tests will not be permitted to accept new members. These funds will not be able to re-open to new members unless their performance improves.

   By 1 July 2022, annual performance tests will be extended to other superannuation products.

4. The Government will ensure superannuation trustees are more accountable and transparent as to how they are managing the retirement savings of their members. By 1 July 2021:
   - Super trustees will be required to comply with a new duty to act in the best financial interests of members.
   - Trustees must demonstrate that there was a reasonable basis to support their actions being consistent with members' best financial interests.
   - Trustees will provide members with key information regarding how they manage and spend their money in advance of Annual Members' Meetings.

Additional funding to address serious and organised crime in the tax and superannuation system

The Government will provide $15.1 million to the Australian Taxation Office (ATO) to target serious and organised crime in the tax and superannuation systems. This extends the 2017-18 Budget measure *Additional funding for addressing serious and organised crime in the tax system* by a further two years to 30 June 2023.

Revised Start Dates for Tax and Superannuation Measures

The Government will change the start dates for the following measures:

- The start date for the 2019-20 Budget measure *Superannuation — reducing red tape for superannuation funds* (exempt current pension income changes) has been revised from 1 July 2020 to 1 July 2021
- The start date for the 2015-16 Budget measure *Cutting Red Tape – lost and unclaimed superannuation*, to allow the ATO to pay lost and unclaimed superannuation amounts directly to New Zealand KiwiSaver accounts, has been revised from 1 July 2016 to six months after the date of Royal Assent of the enabling legislation.
- The start date for the 2018-19 Budget measure *Superannuation — increasing the maximum number of allowable members in self-managed superannuation funds and small APRA funds from four to six* has been revised from 1 July 2019 to the date of Royal Assent of the enabling legislation.
- The start date for the 2018-19 Budget measure *Tax Integrity – removing the capital gains discount at the trust level for Managed Investment Trusts and Attribution MITs* (as amended by the 2018-19 MYEFO measure Revised start dates for tax measures) has been revised from 1 July 2020 to the income year commencing on or after three months after the date of Royal Assent of the enabling legislation.

Superannuation — defer the start date of the Retirement Income Covenant

The Government is deferring the commencement of the Retirement Income Covenant, announced in Budget 2018-19, from 1 July 2020 to 1 July 2022 to allow continued consultation and legislative drafting to take place during COVID-19. This will also allow finalisation of the measure to be informed by the Retirement Income Review.

Further information can be found in the press release of 22 May 2020 issued by the Assistant Minister for Superannuation, Financial Services and Financial Technology.

Superannuation — facilitating the closure of eligible rollover funds — Amendment

The Government will amend the *Treasury Laws Amendment (Reuniting More Superannuation) Bill 2020* which enacts the measure *Superannuation — facilitating closure of eligible rollover funds* first announced in the 2019-20 MYEFO. The amendment will:

- defer by 12 months the start date of the measure that prevents superannuation funds transferring new amounts to eligible rollover funds (ERFs)
- defer the date by which ERFs are required to transfer accounts below $6,000 to the ATO to 30 June 2021
- defer the date by which ERFs are required to transfer remaining accounts to the ATO to 31 January 2022
- allow all superannuation funds to voluntarily transfer amounts to the ATO in circumstances where the trustee believes it is in the best interests of that member, such as amounts that would otherwise have been transferred to an ERF.

These amendments respond to requests from superannuation funds to provide additional time and flexibility for superannuation funds to transfer amounts to the ATO.

COVID-19 Response Package – temporary early access to superannuation

The Government is allowing individuals affected by the financial impacts of COVID-19 to access up to $10,000 of their superannuation in 2019-20 and a further $10,000 in 2020-21 to help support them during COVID-19.

The Government has also extended the 2020-21 application period for the measure to 31 December 2020 to increase the scope for individuals who may still be financially impacted by COVID-19 to access their superannuation.

Eligible Australian and New Zealand citizens and permanent residents were able to access up to $10,000 of their superannuation before 1 July 2020 and are allowed to access a further $10,000 from 1 July 2020 until 31 December 2020. Eligible temporary visa holders were also able to apply for a single release of up to $10,000 before 1 July 2020.

These amounts will not be taxable and will not affect Centrelink and Veterans' Affairs payments or JobKeeper payments.

Further information can be found in the joint press release of 22 March 2020 issued by the Prime Minister and the Treasurer and the press release of 4 April 2020 issued by the Acting Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs.

COVID-19 Response Package — temporarily reducing superannuation minimum drawdown rates

The Government has reduced the superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20 and 2020-21 income years.

The minimum drawdown requirements determine the minimum amount of a pension that a retiree has to draw from their superannuation in order to qualify for tax concessions. Minimum payment amounts are calculated on the basis of asset values on 1 July of each income year. This change will allow retirees to avoid selling assets in a loss position in order to satisfy the minimum drawdown requirements.

Further information can be found in the joint press release of 22 March 2020 issued by the Prime Minister and the Treasurer.

Personal Taxation

JobMaker Plan — bringing forward the Personal Income Tax Plan and retaining the low and middle income tax offset

The Government will bring forward the second stage of its Personal Income Tax Plan by two years to 1 July 2020 while retaining the low and middle income tax offset (LMITO) for 2020-21. The changes will provide immediate tax relief to individuals and support the economic recovery and jobs by boosting consumption.

Bringing forward the second stage of the Personal Income Tax Plan

The Government will provide additional support to Australian taxpayers by bringing forward the tax cuts in Stage 2 of the Personal Income Tax Plan from 1 July 2022 to 1 July 2020:

- The top threshold of the 19 per cent personal income tax bracket will increase from $37,000 to $45,000.
- The low-income tax offset (LITO) will increase from $445 to $700. The increased LITO will be withdrawn at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000. The LITO will then be withdrawn at a rate of 1.5 cents per dollar between taxable incomes of $45,000 and $66,667.
- The top threshold of the 32.5 per cent personal income tax bracket will increase from $90,000 to $120,000.

Retaining the LMITO for the 2020-21 income year

The Government will retain the LMITO for the 2020-21 income year, providing further targeted tax relief for low- and middle-income earners.

The LMITO provides a reduction in tax of up to $1,080. It provides a reduction in tax of up to $255 for taxpayers with a taxable income of $37,000 or less. Between taxable incomes of $37,000 and $48,000, the value of the offset increases at a rate of 7.5 cents per dollar to the maximum offset of $1,080. Taxpayers with taxable incomes between $48,000 and $90,000 are eligible for the maximum offset of $1,080. For taxable incomes of $90,000 to $126,000, the offset phases out at a rate of 3 cents per dollar. Consistent with current arrangements, the LMITO will be received on assessment after individuals lodge their tax returns for the 2020-21 income year.

Retaining the LMITO for 2020-21, together with bringing forward the tax cuts in Stage 2, provides low- and middle-income earning recipients of the LMITO with an additional benefit, supporting them through the economic recovery.

Stage 3 of the Personal Income Tax Plan remains unchanged and commences in 2024-25 as legislated.

This measure builds on the 2019-20 Budget measure *Lower taxes for hard-working Australians: Building on the Personal Income Tax Plan* and the 2018-19 Budget measure *Personal Income Tax Plan*.

Tax relief by taxable income, 2020-21 compared with 2017-18*

	2017-18	2020-21		
Taxable income ($)	**Tax Liability ($)**	**Tax Liability ($)**	**Change in Tax ($)**	**Change in Tax (%)**
40,000	4,947	3,887	-1,060	-21.4
60,000	12,147	9,987	-2,160	-17.8
80,000	19,147	16,987	-2,160	-11.3
100,000	26,632	24,187	-2,445	-9.2
120,000	34,432	31,687	-2,745	-8.0
140,000	42,232	39,667	-2,565	-6.1
160,000	50,032	47,467	-2,565	-5.1
180,000	57,832	55,267	-2,565	-4.4
200,000	67,232	64,667	-2,565	-3.8

** The table provides stylized cameos based on the tax payable for an individual, excluding any transfer payments. The tax liability and tax relief are calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset and Medicare levy (with 2017-18 Medicare levy single low-income threshold). Actual outcomes for many individuals and households would differ.*

Rates and thresholds in 2017-18 compared with 2024-25

Rates in 2017-18	Thresholds in 2017-18	New rates in 2024-25	New thresholds in 2024-25
Nil	Up to $18,200	Nil	Up to $18,200
19%	$18,201–$37,000	19%	$18,201–$45,000
32.5%	$37,001–$87,000	30%	$45,001–$200,000
37%	$87,001–$180,000	–	–
45%	Above $180,000	45%	Above $200,000
Low income tax offset in 2017-18	Up to $445	Low income tax offset in 2024-25	Up to $700

Personal Income Tax — increasing the Medicare levy low-income thresholds

The Government has increased the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from the 2019-20 income year. The increases take account of recent movements in the consumer price index so that low-income taxpayers generally continue to be exempted from paying the Medicare levy.

The threshold for singles has increased from $22,398 to $22,801. The family threshold has increased from $37,794 to $38,474. For single seniors and pensioners, the threshold has increased from $35,418 to $36,056. The family threshold for seniors and pensioners has increased from $49,304 to $50,191. For each dependent child or student, the family income thresholds increase by a further $3,533, instead of the previous amount of $3,471.

Supporting Older Australians — exempting granny flat arrangements from capital gains tax

The Government will provide a targeted capital gains tax (CGT) exemption for granny flat arrangements where there is a formal written agreement. The exemption will apply to arrangements with older Australians or those with a disability. The measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

CGT consequences are currently an impediment to the creation of formal and legally enforceable granny flat arrangements. When faced with a potentially significant CGT liability, families often opt for informal arrangements, which can lead to financial abuse and exploitation in the event that the family relationship breaks down. This measure will remove the CGT impediments, reducing the risk of abuse to vulnerable Australians.

Support for businesses

Increase the small business entity turnover threshold

The Government will expand access to a range of small business tax concessions by increasing the small business entity turnover threshold for these concessions from $10 million to $50 million. Businesses with an aggregated annual turnover of $10 million or more but less than $50 million will for the first time have access to up to ten further small business tax concessions in three phases:

- From 1 July 2020, eligible businesses will be able to immediately deduct certain start-up expenses and certain prepaid expenditure.
- From 1 April 2021, eligible businesses will be exempt from the 47 per cent fringe benefits tax on car parking and multiple work-related portable electronic devices (such as phones or laptops) provided to employees.
- From 1 July 2021, eligible businesses will be able to access the simplified trading stock rules, remit pay as you go (PAYG) instalments based on GDP adjusted notional tax, and settle excise duty and excise-equivalent customs duty monthly on eligible goods under the small business entity concession. Eligible businesses will also have a two-year amendment period apply to income tax assessments for income years starting from 1 July 2021, excluding entities that have significant international tax dealings or particularly complex affairs.

In addition, from 1 July 2021, the Commissioner of Taxation's power to create a simplified accounting method determination for GST purposes will be expanded to apply to businesses below the $50 million aggregated annual turnover threshold.

These changes will simplify eligibility and reduce red tape for around 20,000 businesses, as more turnover thresholds will align to the aggregated annual turnover threshold for a base rate entity for company tax purposes.

The eligibility turnover thresholds for other small business tax concessions will remain at their current levels.

JobMaker Plan — JobMaker Hiring Credit

The Government will provide $4.0 billion over three years from 2020-21 to accelerate employment growth by supporting organisations to take on additional employees through a hiring credit. The JobMaker Hiring Credit will be available to eligible employers over 12 months from 7 October 2020 for each additional new job they create for an eligible employee.

Eligible employers who can demonstrate that the new employee will increase overall employee headcount and payroll will receive $200 per week if they hire an eligible employee aged 16 to 29 years or $100 per week if they hire an eligible employee aged 30 to 35 years. The JobMaker Hiring Credit will be available for up to 12 months from the date of employment of the eligible employee with a maximum amount of $10,400 per additional new position created.

To be eligible, the employee will need to have worked for a minimum of 20 hours per week, averaged over a quarter, and received the JobSeeker Payment, Youth Allowance (other) or Parenting Payment for at least one month out of the three months prior to when they are hired.

JobMaker Plan — supporting small business and responsible lending

The Government will implement reforms to support consumers and businesses affected by COVID-19 to facilitate Australia's economic recovery. The reforms will reduce regulatory burden to ensure a timely flow of credit and resolution for distressed businesses. These include:

- introducing a new process to enable eligible incorporated small businesses in financial distress to restructure their own affairs
- simplifying the liquidation process for eligible incorporated small businesses
- support for the insolvency sector
- introducing a standard licensing regime for debt management firms who represent consumers in dispute resolution processes with credit providers
- removing duplication between the responsible lending obligations contained in the National Consumer Credit Protection Act 2009 and the Australian Prudential Regulation Authority (APRA) standards and guidance for authorised deposit-taking institutions (ADIs) and establishing a similar new credit framework for non-ADIs
- enhancing the regulation of Small Amount Credit Contracts and Consumer Leases to ensure that the most vulnerable consumers are protected.

Further information can be found in the joint media releases of 24 September 2020 and 25 September 2020 issued by the Treasurer and the Minister for Housing and Assistant Treasurer.

JobMaker Plan — Research and Development Tax Incentive — supporting Australia's economic recovery

The Government will make further enhancements to the 2019-20 MYEFO measure Better targeting the research and development tax incentive — refinements to support business Research and Development (R&D) investment in Australia and help businesses manage the economic impacts of the COVID-19 pandemic.

For small companies, those with aggregated annual turnover of less than $20 million, the refundable R&D tax offset is being set at 18.5 percentage points above the claimant's company tax rate, and the $4 million cap on annual cash refunds will not proceed.

For larger companies, those with aggregated annual turnover of $20 million or more, the Government will reduce the number of intensity tiers from three to two. This will provide greater certainty for R&D investment while still rewarding those companies that commit a greater proportion of their business expenditure to R&D.

The R&D premium ties the rates of the non-refundable R&D tax offset to a company's incremental R&D intensity, which is R&D expenditure as a proportion of total expenses for the year. The marginal R&D premium will be the claimant's company tax rate plus:

- 8.5 percentage points above the claimant's company tax rate for R&D expenditure between 0 per cent and 2 per cent R&D intensity for larger companies

- 16.5 percentage points above the claimant's company tax rate for R&D expenditure above 2 per cent R&D intensity for larger companies.

The Government will defer the start date so that all changes to the program apply to income years starting on or after 1 July 2021, to provide businesses with greater certainty as they navigate the economic impacts of the COVID-19 pandemic.

All other aspects of the 2019-20 MYEFO measure will remain unchanged, including the increase to the R&D expenditure threshold from $100 million to $150 million per annum.

JobMaker Plan — temporary full expensing to support investment and jobs

The Government will support businesses with aggregated annual turnover of less than $5 billion by enabling them to deduct the full cost of eligible capital assets acquired from 7:30pm AEDT on 6 October 2020 (Budget night) and first used or installed by 30 June 2022. It will improve cash flow for qualifying businesses that purchase eligible assets and bring forward new investment to support the economic recovery.

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 (with aggregated annual turnover of less than $50 million), full expensing also applies 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 enhanced instant asset write-off. Businesses that hold assets eligible for the enhanced $150,000 instant asset write-off will have an extra six months, until 30 June 2021, to first use or install those assets.

Small businesses (with aggregated annual turnover of less than $10 million) can deduct the balance of their simplified depreciation pool at the end of the income year while full expensing applies. The provisions which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out will continue to be suspended.

JobMaker Plan — temporary loss carry-back to support cash flow

The Government will allow eligible companies 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.

Corporate tax entities with an aggregated turnover of less than $5 billion can apply tax losses against taxed profits in a previous year, generating a refundable tax offset in the year in which the loss is made. The tax refund would be limited by requiring that the amount carried back is not more than the earlier taxed profits and that the carry back does 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.

Currently, companies are required to carry losses forward to offset profits in future years. Companies that do not elect to carry back losses under this measure can still carry losses forward as normal.

This measure will promote economic recovery by providing cash flow support to previously profitable companies that have fallen into a tax loss position as a result of the currently weaker economic conditions, themselves associated with the economic impact of COVID-19. Loss carry-back will also support the incentive for companies to invest under the measure JobMaker Plan – temporary full expensing to support investment and jobs.

JobMaker Plan — boosting apprenticeships wage subsidy

From 5 October 2020 to 30 September 2021, businesses of any size can claim the new Boosting Apprentices Wage Subsidy for new apprentices or trainees who commence during this period.

Eligible businesses will be reimbursed up to 50 per cent of an apprentice or trainee's wages worth up to $7,000 per quarter, capped at 100,000 places.

The wage subsidy will support school leavers and workers displaced by the COVID-19 related downturn to secure sustainable employment.

The Government will further delay the commencement of the Incentives for Australian Apprenticeships Program from 1 January 2021 to 1 July 2021, which will minimise disruption to employers and Australian apprentices and continue support through the existing Australian Apprenticeships Incentives Program.

Fringe Benefits Tax — exemption to support retraining and reskilling

The Government will introduce an exemption from the 47 per cent fringe benefits tax (FBT) for employer provided retraining and reskilling benefits provided to redundant, or soon to be redundant employees where the benefits may not be related to their current employment. This measure applies from announcement.

Currently, FBT is payable if an employer provides training to redundant, or soon to be redundant, employees and that training does not have sufficient connection to their current employment. This measure will provide an FBT exemption for a broader range of retraining and reskilling benefits, incentivising employers to retrain redundant employees to prepare them for their next career.

The exemption will not extend to retraining acquired by way of a salary packaging arrangement. It will also not be available for Commonwealth supported places at universities, which already receive a benefit, or extend to repayments towards Commonwealth student loans.

The Government will also consult on allowing an individual to deduct education and training expenses they incur themselves where the expense is not related to their current employment. Individuals can currently deduct education or training expenses they incur which are sufficiently related to their current employment. The current system may act as a disincentive for Australians to retrain and reskill to support their future employment and career. The Government will consult on potential changes to the current arrangements to determine whether deductions should also be targeted to future employment and skills needs.

Fringe Benefits Tax — reducing the compliance burden of record keeping

The Government will provide the Commissioner of Taxation with the power to allow employers to rely on existing corporate records, rather than employee declarations and other prescribed records, to finalise their fringe benefits tax (FBT) returns. The measure will have effect from the start of the first FBT year (1 April) after the date of Royal Assent of the enabling legislation.

Currently, the FBT legislation prescribes the form that certain records must take and forces employers, and in some cases employees, to create additional records in order to comply with FBT obligations.

The measure will allow employers — with what the Commissioner determines as adequate alternative records — to rely on existing corporate records, removing the need to complete additional records. This will reduce compliance costs for employers, while maintaining the integrity of the FBT system.

COVID-19 Response Package

Providing further economic support payments in response to the ongoing COVID-19 pandemic

The Government will provide $2.6 billion over three years from 2020-21 to provide two separate $250 economic support payments, to be made from November 2020 and early 2021 to eligible recipients of the following payments and health care card holders:

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

The payments are exempt from taxation and will not count as income support for the purposes of any income support payment.

Supporting mental health

The Government will provide $100.8 million over two years from 2020-21 to provide up to 10 additional psychological therapy sessions each calendar year nationally under the Better Access to Psychiatrists, Psychologists and General Practitioners through the Medicare Benefits Schedule (Better Access) initiative.

This will increase access to mental health care for all Australians who are experiencing more severe or enduring mental health impacts from the COVID-19 pandemic.

Recognising the impacts of COVID-19 for Youth Allowance and ABSTUDY independence

The Government will provide $25.0 million over four years from 2020-21 to temporarily revise the independence test for those applying for Youth Allowance and ABSTUDY from 1 January 2021.

Under the exemption, the six-month period between 25 March 2020 and 24 September 2020 will automatically be recognised as contributing to an applicant's independence test, regardless of whether they meet employment requirements.

COVID-19 Response Package — the following previously announced measures have been formally addressed in the Budget.

JobKeeper Payment

The JobKeeper Payment is a wage subsidy for businesses and not-for-profits significantly affected by the COVID-19 pandemic to assist them to maintain the connection with their employees.

From 30 March 2020 to 27 September 2020, the JobKeeper Payment is $1,500 per fortnight for eligible employees and business participants.

From 28 September 2020 to 3 January 2021, the JobKeeper Payment will generally be $1,200 per fortnight for eligible employees and business participants. A JobKeeper Payment of $750 per fortnight will apply for all eligible employees and business participants who worked for the business or not-for-profit for less than 20 hours per week, on average, in the four weekly pay periods ending prior to 1 March 2020.

From 4 January 2021 to 28 March 2021, the JobKeeper Payment will generally be $1,000 per fortnight for eligible employees and business participants. A JobKeeper payment of $650 per fortnight will apply for eligible employees and business participants who worked for the business or not-for-profit for less than 20 hours per week, on average, in the four weekly pay periods ending prior to 1 March 2020.

A business must remunerate each eligible employee a minimum of the JobKeeper Payment that applies for that employee per fortnight, before tax.

To be eligible from 30 March 2020 to 27 September 2020, an employer must project that their turnover has, or is expected to, decline by at least:

- 50 per cent for businesses with an aggregated turnover of more than $1.0 billion
- 30 per cent for businesses with an aggregated turnover of $1.0 billion or less or
- 15 per cent for Australian Charities and Not-for-profits Commission-registered charities (excluding schools and universities).

Further rules apply to working out the decline in turnover of some charities and universities.

To be eligible from 28 September 2020 to 3 January 2021, an employer will need to demonstrate that their actual turnover has fallen by the relevant percentage in both the June quarter and the September quarter relative to comparable periods (generally the corresponding quarter in 2019).

To be eligible from 4 January 2021 to 28 March 2021, an employer will again need to demonstrate that their actual turnover has fallen in each of the June, September and December quarter in 2020 by the relevant percentage.

The following entities are ineligible for the JobKeeper Payment:

- Entities subject to the major bank levy as at 1 March 2020
- Commonwealth, State and Territory government agencies and local governing bodies
- entities wholly owned by Commonwealth, State and Territory government agencies and local governing bodies
- sovereign entities and entities wholly owned by a sovereign entity.

Additionally, a company that is in liquidation, or a partnership, trust or sole trader in bankruptcy will not be eligible.

Self-employed individuals are eligible to receive the JobKeeper Payment if they meet the turnover test and are not a permanent employee of another employer. Entities are eligible to receive only one JobKeeper Payment in respect of owners, partners, directors, shareholders or trust beneficiaries, in addition to any payments they receive for eligible employees. Registered religious institutions may claim a JobKeeper Payment for religious practitioners. From 13 July 2020, the Government will pay child care providers an additional transition payment to replace the JobKeeper Payment, with child care providers becoming ineligible for the JobKeeper Payment from 20 July 2020

This measure forms part of the Government's economic response to COVID-19.

Further information can be found in the press releases of 30 March, 5 April and 24 April 2020 issued by the Treasurer.

JobKeeper Payment extension

The JobKeeper Payment is a wage subsidy that supports employees of businesses and not-for-profit organisations, significantly affected by the COVID-19 pandemic, remaining connected with their workplace. The Government announced changes to the JobKeeper Payment on 7 August 2020 in response to the evolving COVID-19 situation in Victoria, which resulted in an additional estimated cost of $15.6 billion in 2020-21. The policy changes announced were:

- The employment reference date for assessing an employee's eligibility for the JobKeeper Payment was changed from 1 March 2020 to 1 July 2020, with effect from 3 August 2020. This means that employees who were hired during this period may now be eligible for the JobKeeper Payment (subject to other relevant eligibility criteria).
- The eligibility criteria related to the turnover decline for businesses and not-for-profits changed to make it easier for those still significantly impacted by the COVID-19 pandemic to access the JobKeeper Payment. To be eligible for JobKeeper after 28 September 2020, businesses and not-for-profits are now only required to demonstrate that their actual turnover was sufficiently affected in the previous quarter (rather than in every quarter from June 2020 onwards) to be eligible for JobKeeper Payment in the December 2020 and March 2021 quarters.

Backing business investment

The Government has introduced a time limited investment incentive that temporarily allows businesses with aggregated turnover of less than $500 million to deduct capital allowances for eligible depreciating assets at an accelerated rate.

Generally, to be eligible to apply the accelerated rate of deduction, the depreciating asset must satisfy a number of conditions, including that the asset:

- be new and not previously held by another entity (other than as trading stock or for testing and trialling purposes)
- be first held on or after 12 March 2020
- be first used or first installed ready for use for a taxable purpose on or after 12 March 2020 until 30 June 2021
- not be an asset to which an entity has applied the instant asset write-off rules or depreciation deductions.

Eligible businesses with a turnover of less than $500 million can deduct an additional 50 per cent of the asset cost in the year of purchase.

Increasing and extending the instant asset write-off

On 12 March 2020, the Government announced that it would increase the instant asset write-off threshold to $150,000 (up from $30,000) and expand access to include businesses with aggregated annual turnover of less than $500 million (up from $50 million) until 30 June 2020.

The Government has extended the $150,000 instant asset write-off for an additional six months until 31 December 2020. Around 3.5 million businesses with aggregated annual turnover of less than $500 million are eligible to access the $150,000 instant asset write-off. Eligible businesses can immediately deduct purchases of eligible assets costing less than $150,000 that are first used, or installed ready for use, from 12 March 2020 until 31 December 2020. The threshold applies on a per asset basis, so eligible businesses can instantly write-off multiple assets.

Businesses that adopt substituted accounting periods are also able to benefit from the instant asset write-off until 31 December 2020, provided all other eligibility requirements, including with respect to the date of purchase and installation or use of assets, are met.

Small businesses (with aggregated annual turnover of less than $10 million) can continue to place assets which cannot be immediately deducted into the small business simplified depreciation pool. The lock out laws for the simplified depreciation rules (these prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out) will continue to be suspended.

Larger businesses (with aggregated annual turnover of $10 million or more, but less than $500 million) do not have access to the small business pooling rules and will instead continue to depreciate assets costing $150,000 or more (which cannot be immediately deducted) in accordance with the existing depreciating asset provisions of the tax law..

Further information can be found in the joint press release of 12 March 2020 issued by the Prime Minister and the Treasurer, and the joint press release of 9 June 2020 issued by the Treasurer and the Minister for Employment, Skills, Small and Family Business.

Child care support

The Government provided $1.9 billion over two years from 2019-20 to ensure the ongoing availability of early childhood education and child care services for Australian families, as well as to support the operations of more than 13,000 child care services from 6 April to 12 July 2020. Services and families will also be supported as they transition back to Child Care Subsidy (CCS) funding arrangements from 13 July 2020.

The Early Childhood Education and Care Relief Package provided immediate assistance to families and services at a point in time when parents were withdrawing their children from child care in large numbers. This measure temporarily paused CCS funding arrangements from 6 April to 12 July 2020 so that families were not required to pay fees to access care for their children during this time. The Government also assisted services with the costs of providing care, ensuring the sector remained open and families could continue to access care during the COVID-19 pandemic. This included:

- weekly Business Continuity Payments equivalent to 50 per cent of the sector's fee revenue for the relevant reference period in lieu of CCS and the Additional Child Care Subsidy. This was paid regardless of how many children attended the service and in addition to any JobKeeper eligibility
- exceptional circumstance supplementary payments for some services, including services that were required to provide additional care and those ineligible for JobKeeper payments.

CCS funding arrangements were re-introduced on 13 July 2020, and will provide approximately $2.0 billion this quarter to services on behalf of eligible families. In addition, the Government will provide transitional support of $708.0 million in 2020-21 to assist the sector and families with the move back to the subsidy, including:

- from 13 July until 27 September 2020, services will be paid a Transition Payment of 25 per cent of their fee revenue for the Relief Package reference period, subject to services maintaining child care fees at the level of the reference period and guaranteeing employment levels
- an easing of CCS activity test requirements until 4 October 2020, to enable eligible families whose employment has been impacted by COVID-19 to receive up to 100 hours per fortnight of subsidised care, and assist them to return to the level of work, study or training they were undertaking before the pandemic.

This measure is partially offset from CCS that would otherwise have been paid in a non-COVID-19 environment with regular child care attendance.

Further information can be found in the press releases of 13 March, 23 March, 25 March, 1 May, 20 May and 8 June 2020 issued by the Minister for Education, and in the joint press release of 2 April 2020 issued by the Prime Minister and the Minister for Education.

Supporting apprentices and trainees

The Government will provide $2.8 billion over five years from 2019-20 (including $4.4 million in capital funding over two years from 2019-20) to keep apprentices and trainees employed.

The Supporting Apprentices and Trainees (SAT) wage subsidy reimburses eligible businesses up to 50 per cent of an apprentice or trainee's wages. Subsidies are capped at $7,000 per quarter, per eligible apprentice or trainee.

- From 1 January 2020 to 30 June 2020, small businesses (of less than 20 employees) could claim the SAT wage subsidy for apprentices or trainees who had been in-training with the business as at 1 March 2020.
- From 1 July 2020 to 31 March 2021, small and medium-sized businesses (of less than 200 employees) can claim the SAT wage subsidy for apprentices or trainees who have been in-training with the business as at 1 July 2020.

A wage subsidy is also available to eligible Group Training Organisations where the Host Employer of any size is receiving the JobKeeper payment and retains their apprentice or trainee.

Further information can be found in the press releases of 12 March and 16 July 2020 issued by the Prime Minister and the Minister for Employment, Skills, Small and Family Business.

JobSeeker Partner Income Test measure

The Government will provide $2.0 billion over five years from 2019-20 to temporarily relax the partner income test taper of the JobSeeker Payment to provide additional support for couples and families whose employment has been impacted by COVID-19.

From 27 April 2020 to 24 September 2020 the JobSeeker Payment partner income test taper will be temporarily revised from 60 cents in the dollar to 25 cents in the dollar above the current partner income free area of $996 per fortnight.

From 25 September 2020 to 31 December 2020 the partner income test taper will be further revised to 27 cents in the dollar above the partner income free area of $1,165 per fortnight. The personal income test for individuals on the JobSeeker Payment will still apply.

Further information can be found in the press release of 30 March 2020 issued by the Prime Minister.

Payments to support households

The Government will provide $9.4 billion over three years from 2019-20 to provide eligible pensioners, income support recipients, carers and student payment recipients two separate $750 economic support payments.

The first payment was made from 31 March 2020, while the second payment commenced on 13 July 2020.

The payments are exempt from taxation and will not count as income for the purposes of any income support payment.

Further information can be found in the joint press releases of 12 March and 22 March 2020 issued by the Prime Minister and the Treasurer.

Making Victoria's business support grants non-assessable, non-exempt income for tax purposes

The Government will make the Victorian Government's business support grants for small and medium business as announced on 13 September 2020 non-assessable, non-exempt (NANE) income for tax purposes.

State-based grants such as the Business Support Grants are generally considered taxable income by the Commonwealth. Given COVID-19 and the exceptional circumstances Victorian businesses face, providing this additional concessional treatment will assist in their recovery.

The Commonwealth will extend this arrangement to all States and Territories on an application basis. Eligibility would be restricted to future grants program announcements for small and medium businesses facing similar circumstances to Victorian businesses.

The Government will introduce a new power in the income tax laws to make regulations to ensure that specified state and territory COVID-19 business support grant payments are NANE income.

Eligibility for this treatment will be limited to grants announced on or after 13 September 2020 and for payments made between 13 September 2020 and 30 June 2021.

Other measures

Supporting Our Hospitals — simpler and more affordable private health cover for all Australians

The Government will provide $19.5 million over four years from 2020-21 to improve the access and affordability of Private Health Insurance. This includes:

- increasing the maximum age of dependants allowed under Private Health Insurance policies from 24 years to 31 years, and removing the age limit for dependants with a disability
- enhancing the Medical Costs Finder website to include voluntary fee disclosure for specialists, to increase the transparency of out-of-pocket costs and assisting consumers to choose a specialist.

The Government will also make home and community-based care more accessible through Private Health Insurance commencing with mental health and general rehabilitation services. Formal consultation on the implementation will commence with the sector in October 2020.

Simplifying Australian Defence Force Disaster and Emergency Response

The Government will strengthen its response to natural disasters and other civil emergencies by streamlining the process for calling out Reservists, supporting the capacity of Australian Defence Force members and Defence personnel to assist with disaster and emergency responses, and ensuring Called Out Reservists receive access to military superannuation and related benefits.

Hybrid Mismatch Rules

The Government will amend Australia's hybrid mismatch rules to provide greater certainty and ensure that the rules operate as intended. This measure will also ensure that, if an authorised deposit-taking institution, general insurance company or life insurance company is entitled to a foreign tax deduction on a franked Additional Tier 1 capital distribution, an amount equal to the deduction is included in their assessable income. These amendments will apply from 1 January 2019, with the exception of a change relating to the comparison of foreign hybrid mismatch laws which will commence on 1 July 2020.

Further details of these amendments can be found in the explanatory memorandum to *Treasury Laws Amendment (2020 Measures No.2) Bill 2020*.

The purpose of the hybrid mismatch rules is to prevent multinational corporations from exploiting differences in the tax treatment of an entity or instrument under the laws of two or more tax jurisdictions. The amendments will make it easier for taxpayers to comply with the hybrid mismatch rules.

Further information?

Copies of Mr. Frydenberg's speech together with supporting Budget papers can be found online at www.budget.gov.au

Source:

- Budget Paper No 1, Budget Strategy and Outlook
- Budget Measures Budget Paper No 2, 2020-21
- Your Future, Your Super factsheet.

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