

2020 Budget ...hoping for a new dawn

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The webinar will commence soon....



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2020 Budget

Overview

- 2020/21 deficit of \$213.7 billion
- Income tax cuts brought forward
- Infrastructure spending
- Hiring credit
- Small business concessions
- Manufacturing support
- Apprentice wage subsidy
- And more...

2020 Budget

Initial thoughts

- Job creation focus
- Support employment growth in private sector
- No major structural tax reforms
 - Treasurer commented will tackle when unemployment down to 6%
 - At least a couple of years away?
- Peak Govt debt:GDP ratio will still be comparatively low

Personal tax

Income tax cuts brought forward

- “Stage 2” cuts
- Brought forward from 1 July 2022 to.... ***1 July 2020***
- 32.5% rate starts at \$45k (up from \$37k)
- 37% rate starts at \$120k (up from \$90k)

Personal tax

LITO / LMITO

- LITO increase from \$445 to \$700
 - Brought forward from 2023 to 2021
- LMITO was to cease with Stage 2 tax cut
 - Retained for 2020/21 along with Stage 2 tax cut

Personal tax

What the changes mean

- Opposition said will support
- For 2020/21:
 - \$90,000 – save \$1,080
 - \$120,000+ – save \$2,430
- PAYG withholding reduction – 12 months into eight
- Vary PAYG instalments?
- Stage 3 unchanged, from 1 July 2024
- Spend or save?

Business taxation

JobMaker hiring credit

- Subsidy to hire new employees
- 12 months
- Must increase employee headcount, pegged from 30 September
- \$200 pw – 16-29 y/o
- \$100 pw – 30-35 y/o
- Max \$10,400 (\$200 x 52 wks)
- Paid quarterly, in arrears

Business taxation

JobMaker hiring credit

- Eligible employee
 - 20+ hrs pw, averaged over quarter
 - Received JobSeeker, Youth Allowance, Parenting Pmt
 - 1 month out 3 before hire
- Eligible employer
 - Tax lodgements up to date
 - Use STP
 - Kept records
 - Other

Business taxation

JobMaker hiring credit

- Business case to hire new employee?
- Incentive in borderline or lesser cases
- Expect to be assessable for business, unless specifically exempted

Business taxation

Small business concessions

- Access threshold increased
 - \$10m group-wide turnover increased to \$50m
 - Additional 20,000 businesses
- Increased access applies in three stages:
 - 1 July 2020 – deduct certain start-up, prepaid expenditure
 - 1 April 2021 – FBT exemption on car parking, work-related portable elec devices
 - 1 July 2021 – simplified trading stock rules, PAYG instalments, 2-year amendment period.
- 1 July 2021 – ATO-determined simplified GST accounting

Business taxation

Full deduction for depreciating assets

- Overtakes current <\$150k limit; 50% bring-forward
- Group-wide turnover <\$5 billion
- No cost limit
- New depreciable assets; improvements to existing
- Not a choice; must deduct
- Could impact:
 - Financial reporting (eg, to bank)
 - Accounting/tax misalignment
 - Private company loan compliance (Div 7A)

Business taxation

Other full-deduction depreciation rules

- If group-wide turnover <\$50 million, also available for 2nd-hand
- If g-w turnover \$50m – <\$500m:
 - Still full dedn under existing IAWO rules where:
 - 2nd-hand
 - Cost <\$150k (net of GST)
 - Purchased by 31 December 2020
 - First used, or installed ready for use, by 30 June 2021

Business taxation

Full-deduction depreciation rules

- Reason to invest
- Commercial return
- Impact of deduction on commercial return?

Business taxation

Temporary tax loss carry-back

- Companies only
- Group-wide turnover <\$5 billion
- Tax losses in 2019/20, 2020/21, 2021/22
 - Probably revenue losses only, not capital losses
- Deduct against taxable income in 2018/19 or later, provided paid tax that year
- Refundable tax offset
 - Available to claim in 2020/21 and 2021/22
- Choice

Business taxation

Temporary tax loss carry-back

- Cannot send franking account into deficit
 - ie, means have already passed benefit of tax paid to shareholders through franked dividends
- Combine with full expensing of depreciating assets
- Additional cash available

Business taxation

New apprentice and trainee wage subsidy

- Current subsidy for existing apprentices:
 - Businesses with <20 employees
 - Runs until July 2021
- New subsidy:
 - New or recommencing apprentices or trainees from 5 October 2020
 - 50% of wage
 - Up to \$7,000 per quarter
 - Any location, occupation, industry or business size
 - Until 30 September 2021

Business taxation

New apprentice wage subsidy

- 100,000 cap
- Business case
 - Tip borderline or lesser

Business taxation

FBT exemption

- Retrain redundant/soon-to-be-redundant
- Different role with employer

- Individuals:
 - Govt consult on allowing deduction for self-educ/training unrelated to current employment

Business taxation

R&D tax incentive

- Group-wide turnover <\$20 million:
 - Refundable offset – company tax rate + 18.5%
 - \$4 million cap on cash refunds will not proceed
- Group-wide turnover \$20 million+:
 - Simplified intensity tiers
- Retrospective changes won't proceed
- Changes apply from 1 July 2021

Business taxation

Digital Business Platform

- Consolidate different government registers of business data
- Director Identification Scheme
- E-invoicing for government and business transactions
- Enhance identifying non-disclosure

Business taxation

Victoria's Business Support Grants

- Such grants are usually assessable
- Victoria's Business Resilience Package grants will be exempt from tax
- Other States/Territories can apply for same treatment

Industry

Modern Manufacturing Strategy

- \$1.5 billion
- Targeted at particular industries:
 - Resources technology, critical minerals processing
 - Food and beverage manufacturing
 - Medical products
 - Clean energy and recycling
 - Defence
 - Space
- “Industry-led roadmaps”
- Supply chain resilience
- Veiled protectionism?

Industry

Infrastructure spending

- \$110 billion over 10 years
- Shovel-ready state/territory projects
- Road and rail
- “Use it or lose it”

International tax

- Tax residency for companies
- Exchange of Information jurisdictions

Superannuation

- “Stapling” super accounts to the individual
- Follow when change employment
- Reduce risk of “lost” member accounts

Regulation

Small business insolvency

- Liabilities <\$1 million
- Retain control
- Small business restructuring practitioner
- Debt restructuring plan
- Creditor vote
- Timeframes

2020 Budget

Wrap up

- Stimulus and support measures within existing policy frameworks
- Limited change to policy frameworks
 - Structural reforms historically not announced in Budgets
- Job creation in private sector
- New dawn?

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