

# Federal Budget Analysis 2020

The Federal Budget was delivered on the 6th October 2020, having been deferred from its original date of the 12th May 2020 due to the COVID-19 pandemic. After going into a record deficit of \$213.7 billion to support individuals and businesses during the Coronavirus crisis, the focus of this year's Budget is to regrow the economy by creating job opportunities and encourage spending.

The Budget revealed that real GDP is projected to shrink by 1.5% in 2020-21, before rebounding in the following years. Similarly, the unemployment rate is set to peak this year at 7.25% and will take at least two years to fall below 6%.

Central to the Government's plans for economic recovery is the JobMaker package, which includes significant tax relief measures for households and businesses, a boost to infrastructure investment and a hiring credit for new employees.

The Government has brought forward its tax cuts by two years. The tax cuts lift the income threshold at which the 19% tax rate applies - from \$41,000 to \$45,000 - and the rate at which the 32.5% rate applies - from \$90,000 to \$120,000.

Major support for businesses with a turnover of less than \$5 billion includes immediate expensing of capital investment for businesses; temporary carry-back of current and future losses to 2018-19; and insolvency reforms to assist stressed businesses to restructure. The Government has also proposed a range of reforms to superannuation to reduce the cost of duplicate accounts, improve performance of MySuper funds and increase transparency in funds management. Please find enclosed below further information of these proposed measures.

## Business Support Measures

### Job Maker Plan

#### Boosting apprenticeships wage subsidy

From 5th October 2020 to 30th September 2021, eligible businesses will be reimbursed up to 50% of an apprentice or trainee's wages up to \$7,000 per quarter (subject to a national cap of 100,000 places).

#### Temporary loss carry-back

The Government will allow losses incurred between 2019-20 and 2021-22 by businesses with turnover of up to \$5 billion to be carried back and offset against profits made in or after 2018-19.

Eligible companies may elect to receive the tax refund when they lodge their 2020-21 and 2021-22 tax returns. Companies that do not elect to carry back losses under this measure can still carry losses forward as normal. Although this measure aims to promote economic recovery for companies that have fallen into a tax loss position as a result of the impact of COVID-19, there does not seem to be a test on whether the losses are connected with the COVID-19 pandemic, and so companies who experience a tax loss for other reasons may also be eligible.

#### Job Maker Hiring Credit

From 7th October 2020, eligible employers will be able to claim the Job Maker Hiring Credit for each eligible employee for up to 12 months from the date of employment of the eligible employee. Eligible employers will receive \$200 per week if they hire an eligible employee aged between 16 to 29 years old or \$100 per week if they hire an eligible employee aged 30 to 35 years old.

## Taxation

### Personal income tax rates

The Government will bring forward the legislated increase in the 19% and 32.5% income tax thresholds from 1st July 2022 to 1st July 2020.

2020-21 marginal tax rate	2020-21 tax bracket (current)	2020-21 tax bracket (proposed)
Nil	Up to \$18,200	Up to \$18,200
19%	\$18,201 - \$37,000	\$18,201 - \$45,000
32.5%	\$37,001 - \$90,000	\$45,001 - \$120,000
37%	\$90,001 - \$180,000	\$120,001 - \$180,000
45%	\$180,000+	\$180,000+

## Superannuation

### Superannuation Reforms

The Government will implement a 'Your Future, Your Super' package to improve outcomes for superannuation fund members. These reforms, commencing from 1st July 2021, are broken down into the following four areas:

#### Your super follows you when you change jobs

An employee's existing superannuation account will be 'stapled' to them to avoid the creation of a new superannuation account when they change employment. If an employee has an existing superannuation account, their new employer will pay super into that existing account, unless the employee selects another fund.

Employers will be able to obtain information about a new employee's existing superannuation fund from the Australian Taxation Office.

Where a new employee does not have an existing superannuation account and does not nominate a superannuation fund, the employer will pay the employee's superannuation into the employer's default superannuation fund.

#### Comparing fund performance

By 1st July 2021, a new interactive online YourSuper comparison tool will be available to assist individuals decide which MySuper product best meets their requirements, by being able to compare the performance and fees of all MySuper products.

#### Holding funds to account for underperformance

From 1st July 2021, MySuper products will be subject to an annual performance test conducted by the Australian Prudential Regulation Authority (APRA) based on the net investment performance, with products that have underperformed over two consecutive annual tests prohibited from receiving new members until a further annual test shows they are no longer underperforming. The annual performance test will be extended to other trustee directed APRA regulated superannuation products from 1st July 2022.

#### Increasing transparency and accountability

There will be improved transparency and accountability of superannuation funds by strengthening obligations on superannuation trustees to act in the "best financial interests" of members and ensure their actions are consistent, with members' retirement savings being maximised.

## Social Security

### Economic Support Payments

The Government proposes to provide two \$250 economic support payments to be made from early December 2020 and early March 2021 to eligible recipients. These economic support payments are exempt from taxation and will not count as income for the purposes of any income support payment.

### Pharmaceutical Benefits Scheme (PBS)

The Government has proposed a few measures regarding the Pharmaceutical Benefits Scheme (PBS) from 2020-21, including implementing a revised and improved approach to the administration of PBS rebate receipts associated with medicines that have Special Pricing Arrangements; and providing over four years new and amended listings on the (PBS) and the Repatriation Pharmaceutical Benefits Scheme (RPBS).

### Australians Overseas

The Government will provide additional support to vulnerable Australian citizens whose return to Australia has been impacted by the restrictions arising from COVID-19. The support includes loans to eligible Australians overseas to cover costs of temporary accommodation, daily living expenses and tickets for commercial flights.

### Women's Economic Security

The Government is investing in women's economic security and supporting increased female workforce participation. The Government will provide \$240.4 million over five years from 2020-21. The Government is supporting new parents whose employment was interrupted by COVID-19. This change will extend the work test period from 13 months prior to the birth or adoption of the child to 20 months prior, enabling access to Paid Parental Leave (PPL) where eligibility has been impacted by COVID-19.

## Aged Care

### Additional home care packages

The Government will provide an additional 23,000 home care packages over four years from 2020-21 across all package levels. The Government will also provide additional funding from 2020-21 to improve transparency and regulatory standards in aged care.

- supporting the Department of Health and the Aged Care Quality and Safety Commission to respond to requests from the Royal Commission into Aged Care Quality and Safety.

### 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.

## Retirement income review

The Retirement Income Review was speculated to be released with the Budget, however this has not occurred. The Government did announce however that the Retirement Income Covenants which would have required superannuation trustees to have a strategy in place to support the retirement income needs of members from 1st July 2020 has been delayed to 1st July 2022.

## Any questions?

We hope you have found this useful. We will continue to keep you informed as to whether these proposed Budget changes are actually adopted. If you have any questions or wish to discuss anything please call us on 03 9544 1004.

All the best,

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