Federal Budget 2020-21

TaxBanter

6 October 2020

Table of Contents

TaxBanter
Effective Tax Learning

TaxBanter
Effective Tax Learning

Introduction

The full consequences of the coronavirus pandemic could never have been anticipated on 20 March 2020 when the Treasurer, Josh Frydenberg, announced that the Federal Budget, usually delivered on the second Tuesday in May, was postponed until 6 October 2020. But, the raising of the debt ceiling by 41 per cent from $600 billion to $850 billion suggested that it was expected to have a big impact.

Delaying the Budget was to ensure that the 2020-21 Federal Budget could set out a path to recovery.

Relative to other countries, Australia has not experienced the same extent of infection or number of deaths among the population.[1] Health risks aside, the measurable impact of the pandemic so far has been enormous but the uncertainty about when the coronavirus can be contained and how we live with it poses immeasurable burdens on the whole country.

A pot hole or a black hole?

A picture in numbers

GDP declined by 7 per cent in the June 2020 quarter. This is the largest peacetime economic contraction since the 1930s.[2] The Australian Bureau of Statistics (ABS) prefaces its facts and figures with the statement that 'the combined effects of the pandemic and community and government responses to it led to movements of unprecedented size in the economic statistics aggregates of the June quarter 2020.'[3]

The ABS report on the June 2020 quarter contains figures that have no comparison in recent years.[4]

As expected, industries most affected, measured in payroll job losses, were accommodation and food services (20.3%) and Arts and recreation services (10.6%). Household spending also fell with the greatest impact on transport services (85.9%) and on hotels, cafes and restaurants (56.1%).

The Government filled the income gap with its JobKeeper and the Cash flow Boost for employers but a significant part of the income that found its way into households stayed there — households saved about 19.8% of income during the June 2020 quarter. The June quarter saw the largest fall in seasonally adjusted retail volumes since the introduction of the GST in the September quarter 2000.

---

1 As at 6 October 2020, there were 27,149 reported cases, 894 deaths, 1,363 active cases 6 of which were critical or serious: source: www.worldometers.info/coronavirus/#countries

2 Guy Debelle, Deputy Governor of the Reserve bank of Australia. Speech titled 'The Australian Economy and Monetary Policy' presented on 22 September 2020. Retrieved 2 October 2020; available at: www.rba.gov.au/speeches/2020/pdf/sp-dg-2020-09-22.pdf. The Deputy Governor concluded his speech on a positive note: 'We are now in a gradual and uneven recovery. The recovery is being supported by sizeable fiscal stimulus, particularly in terms of income support for households and business.'

3 ABS. Macroeconomic Statistics Division. 'A series of unprecedented events — the June quarter 2020' Released 14 September 2020. www.abs.gov.au/articles/series-unprecedented-events-june-quarter-2020#government

4 For example, the 7% fall in GDP is the largest fall in quarterly GDP since records began in 1959; the household saving to income ratio of 19.8% is the highest since 1974.

Taxation revenue

Taxation revenue fell as a consequence of the adverse effects of the pandemic on businesses and households. The fall in revenue collection was at both the Commonwealth and State[5] levels as a result of their policy responses which deferred or eliminated many of the tax obligations of businesses and households.

The ABS reports that through the year to June quarter 2020, Commonwealth Government taxes fell 7.5% ($9.6 billion). The key contributors were:

- a 19.5% ($5.6 billion) fall in company income tax as a result of the adverse effect of the COVID-19 pandemic on businesses. The largest falls were in the tourism, banking, superannuation and insurance sectors; and
- a 2.2% ($1.4 billion) fall in personal income tax reflecting a fall in hours worked across the economy and weakness in capital gains taxes associated with subdued property and financial market conditions.

When the Treasurer, Josh Frydenberg, and the Minister for Finance, Mathias Cormann, released an Economic and Fiscal Update (the EFU) on 23 July 2020 showing the impact of the COVID-19 pandemic on the nation's finances, they reminded the country that only seven months earlier they were reflecting on the first balanced Budget in 11 years, the largest legislated tax cuts in more than 20 years and welfare dependency at a 30-year low.[6] By that time, the much vaunted Budget surplus was a faded hope. It is safe to say that Budget surpluses will not dominate Government budgets over the next decade or two.

Some facts about the Australian economy

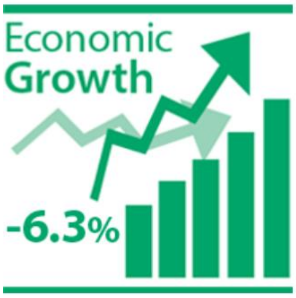
RBA snapshots

The Reserve Bank of Australia released the following monochromatic snapshots of the Australian economy on 4 September 2020:

[5] The ABS reports that State and local government taxation revenue fell 10.9% ($2.8 billion) through the year, mainly from falls in payroll taxes ($1.7 billion) and taxes on the provision of goods and services including reductions in stamp duty on conveyancing and gambling taxes ($1.3 billion).[3] ABS. Macroeconomic Statistics Division. 'A series of unprecedented events — the June quarter 2020' Released 14 September 2020, at 3.1. See ABS article 'Spotlight-Classifying COVID-19 policy interventions in macroeconomic statistics' for a list of the Commonwealth and State government policy interventions which is available here: www.abs.gov.au/statistics/economy/government/government-finance-statistics-australia/jun-2020#spotlight-classifying-covid-19-policy-interventions-in-macroeconomic-statistics

[6] Commonwealth of Australia. The Hon. Josh Frydenberg. Press Conference Statement on 24 July 2020 which is available at: https://budget.gov.au/2020-efu/press-conference-statement.htm

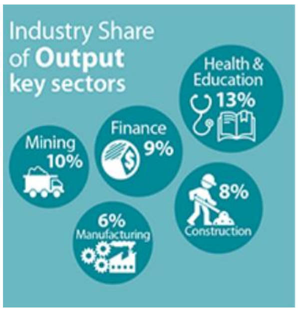
Snapshots of the Australian economy from the Reserve Bank of Australia — September 2020[7]

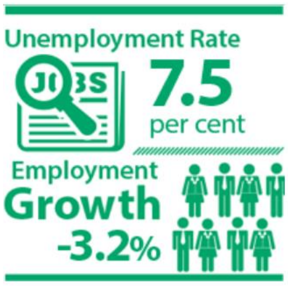


June 2019: 1.6%

June 2019: 1.6%

April 2019: 1.50%





April 2019: 5.2% / 2.4%

June 2019: 2.3%

May 2019: $1,238 / 2.5%

Understanding the terminology

The following terminology which is used in connection with Federal Budget matters is briefly explained to aid understanding.

Term	Explanation
Budget deficit	The last time Australia had a Budget surplus was in 2006. Every year since the GFC, we have had Budget deficits — i.e. the Federal Government has spent more money than it has collected. The expected Budget surplus of $4.1 billion for 2019–20 is instead a deficit of $85.3 billion as a result of the Government's policy response to the coronavirus pandemic.[8] Australia also has a structural deficit which means that, all other things being equal, in more ordinary times, the Government's general level of spending exceeds the general levels of taxation. The solution requires either a change in the Government spending level or a change in the level of taxation.

7 Reserve Bank of Australia. Snapshots: Economic Indicators and Composition of the Australia Economy. latest available as at 4 September 2020. Retrieved 2 October 2020 which is available here: www.rba.gov.au/snapshots/economy-composition-snapshot/ and www.rba.gov.au/snapshots/economy-indicators-snapshot/

8 See Table 1: fiscal parameter summary, various indicators in Release of the 2018–19 MYEFO which is available here: www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2018/December/MYEFO

Term	Explanation
Government debt	As a result of spending more than it raises by taxation, the Federal Government must borrow. Government gross debt which was about $531 billion at the end of 2017–18 was then expected to stay below the $600 billion limit.[9] However, the recent increase in the debt ceiling to $850 billion has not diminished Australia's credit rating.[10]
Recession	The generally recognised definition of a recession is a decline in GDP for two or more consecutive quarters. Some people refer to this as a 'technical recession' because it is not a year-on-year comparison. Since 1991, all 34 OECD member countries have experienced at least one period of two consecutive quarters of negative GDP growth[11] — Australia was an exception in that it experienced uninterrupted growth for almost 29 years.[12] Australia's GDP declined by 0.3 per cent in the first three months of the year and then by 7 per cent in the June quarter. Australia is officially in recession.

Key information leading up to the 2020–21 Federal Budget

The Government's 2019–20 Mid-Year Economic and Fiscal Outlook (MYEFO) which was released on 16 December 2019 updated the economic and fiscal outlook from the 2019–20 Federal Budget. It took into account the decisions made since the release of the Federal Budget, and therefore revised the Budget aggregates. At that time the Government considered that the Budget was on track to return to surplus of $5.0 billion in 2019–20 and $23.5 billion over the forward estimates. Since then the coronavirus has taken the country down another track.

---

9 Australian Government. MYEFO 2018–19, December 2018, at page 29.

10 Australian Government. Australian Trade and Investment Commission. Edmund Tang states in 'Resilience underpins Australia's rock-steady investment credentials' "Moody's Investors Services reaffirmed Australia's AAA credit rating on 23 June 2020 and maintained the country's 'stable' outlook. Besides Australia's fiscal strength, this also reflects the economy's strengths and good governance – including health management – that will support the country's resilience in response to the COVID-19 pandemic." www.austrade.gov.au/news/economic-analysis/resilience-underpins-australias-rock-steady-investment-credentials

11 Many of these economies experienced two episodes of negative growth during that period — one in 2001 following the collapse of the 'dot.com bubble'; and one during the 2008 global financial crisis (GFC).

12 Australian Government. Australian Trade and Investment Commission. *Australia holds world record for longest period of growth among developed economies* which is available here: www.austrade.gov.au/international/invest/investor-updates/2018/australia-holds-world-record-for-longest-period-of-growth-among-developed-economies

				Forecasts[13]		
	Actual 2017–18	**Actual 2018–19**	**Actual 2019–20**	**Budget 2020–21[14]**	**Budget 2021–22**	**Budget 2022–23**
Underlying cash position[15]	($10.1b)[16]	($0.7b)	($85.3b)[17]	($213.7b)	($112.0b	($87.9b)
Economic growth Real GDP Nominal GDP	 2.9% 5.3%	 1.9% 5.3%	 (0.2%) 1.7%	 (1.5%) (1.75%)	 4.75% 3.25%	 2.75% 4.5%
Unemployment rate	5.4%	5.2%	7.00%	7.25%	6.5%	6.0%
CPI — inflation	2.1%	1.6%	(0.3)%	1.75%	1.5%	1.75%

Significant income tax and related measures

Significant income tax and related policy decisions which have been made since the 2019–20 MYEFO include the following:

13 Budget paper No. 1 at page 1-8.

14 Budget paper No. 1 at page 1-6.

15 Underlying cash position — a reduction in the underlying cash balance means that the government must borrow more and as a consequence the interest cost on the higher public debt increases.

16 Commonwealth of Australia. *Final Budget Outcome 2017–18*, September 2018 at page 1. See: www.budget.gov.au/2017-18/content/fbo/download/FBO_2017-18_Combined.pdf

17 At the time of the 2019–20 MYEFO, the forecast surplus was $5 billion.

<table>
<tr><th>Tax measure</th><th>Details</th></tr>
<tr><td>COVID-19 Response Package — Jobkeeper Payment[18]

A wage subsidy for businesses and not-for-profits (NFPs) significantly affected by the COVID-19 pandemic to assist them to maintain connection with their employees

A business must remunerate each eligible employee a minimum of the Jobkeeper Payment that applies for that employee per fortnight, before tax.</td><td>The amounts of the Jobkeeper Payment are as follows:
<table>
<tr><th>Period</th><th>Rate of payment for eligible employees and business participants</th></tr>
<tr><td>30 March 2020 to 27 September 2020</td><td>$1,500 per fortnight</td></tr>
<tr><td>28 September 2020 to 3 January 2021</td><td>$1,200 per fortnight, but reduced to $750 if the person worked for the business/NFP for < 20 hours per week, on average, in the four weeks of pay periods ending prior to 1 March 2020</td></tr>
<tr><td>4 January 2021 to 28 March 2021</td><td>$1,000 per fortnight, but reduced to $650 per if the person worked for the business/NFP for < 20 hours per week, on average, in the four weeks of pay periods ending prior to 1 March 2020</td></tr>
</table>
Broadly, an employer’s entitlement depends on satisfying:

the basic ‘decline in turnover test’ (a reduction in the entity’s turnover of ≥ 30 per cent if aggregated turnover ≤ $1 billion; or ≥ 50 per cent if aggregated turnover > $1 billion; or ≥ 15 per cent for certain NFPs); and
the eligible employee test as at 1 March 2020.
</td></tr>
<tr><td>COVID-19 Response Package — boosting cash flow for employers[19]</td><td>Tax-free cash flow boosts of between $20,000 and $100,000 to eligible small and medium businesses and NFPs that employ individuals.

Eligible entities automatically receive payments/credits upon lodgment of relevant activity statements for the March to September 2020 reporting periods.</td></tr>
<tr><td>COVID-19 Response Package — increasing and extending the instant asset write-off[20]</td><td>The Government has increased the instant asset write-off threshold to $150,000 (up from $30,000) and has expanded access to include businesses with aggregated annual turnover of less than $500 million (up from $50 million).

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.

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.[21]</td></tr>
</table>

[18] Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 pages 167 to 169.

[19] Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 page 165.

[20] Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 page 75.

[21] The lock-out laws for the simplified depreciation rules (which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out) will continue to be suspended.

Tax measure	Details
COVID-19 Response Package — Backing business investment[22] A time-limited investment incentive temporarily allows businesses with aggregated turnover of less than **$500 million** to deduct capital allowances for eligible depreciating assets at an **accelerated rate**.	Eligible businesses can deduct an **additional 50 per cent** of the asset cost in the year of purchase (NB this is only a timing rule — total depreciation is still limited to 100% of cost). Generally, eligible depreciating asset will: ▪ 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 certain specialised depreciation deduction provisions.
COVID-19 Response Package — Government support for immediate cash flow needs to SMEs[23]	Under the Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme (the Scheme), the Government will guarantee 50 per cent of new loans provided by eligible lenders to SMEs.
COVID-19 Response Package — income support for individuals24	A new time-limited Coronavirus Supplement, paid at a non-income tested rate of $550 per fortnight from 27 April 2020 until 27 September 2020. From 25 September 2020 the supplement reduced to $250 per fortnight (with some means testing) and continues to 31 December 2020. It is paid to both existing and new recipients of social security payments.[25]
COVID-19 Response Package — payments to support households[26]	Two separate income support payments of $750 to eligible pensioners, income support recipients, carers and student payment recipients. The first payment was made from 31 March 2020; the second payment commenced on 13 July 2020. The payments are exempt from taxation and do not count as income for the purposes of any income support payment.

[22] Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 page 74.

[23] Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 page 166. The Scheme will support up to $40 billion of new lending.

[24] Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 pages 160 and 161.

[25] Specifically: those in receipt of Jobseeker Payment, Youth Allowance, Parenting Payment, Austudy, ABSTUDY Living Allowance, Farm Household Allowance, Special Benefit, and recipients of the Department of Veterans' Affairs Education Schemes, Military Rehabilitation and Compensation Act Education and Training Scheme and Veterans' Children's Education Scheme.

[26] Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 page 163.

Tax measure	Details
COVID-19 Response Package — HomeBuilder Grant[27]	HomeBuilder provides eligible owner-occupiers (including first home buyers) with a grant of $25,000 to build a new home or substantially rebuild an existing home where a contract is entered into between 4 June 2020 and 31 December 2020 and building commences within three months of the contract date.[28]

Significant superannuation measures

Significant superannuation policy decisions which have been taken since the 2019–20 MYEFO include the following:

Policy decision	Details
COVID-19 Response Package – temporary early access to superannuation[29]	Individuals affected by the financial impacts of COVID-19 can access up to $10,000 of their superannuation in 2019–20 and a further $10,000 in 2020–21. 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 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.
COVID-19 Response Package — temporarily reducing superannuation minimum drawdown rates[30]	The superannuation minimum drawdown requirements[31] have been reduced by 50 per cent for account-based pensions and similar products for the 2019–20 and 2020–21 income years. This change will allow retirees to avoid selling assets in a loss position in order to satisfy the minimum drawdown requirements.
Deferring the start date of the Retirement Income Covenant[32]	The commencement of the Retirement Income Covenant, announced in the Budget 2018–19 has been deferred 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.

27 Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 page 166.

28 HomeBuilder is limited to new homes worth less than $750,000 and to renovations of between $150,000 and $750,000 where the total value of the property is less than $1.5 million pre-renovation.

29 Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 pages 76 and 77.

30 Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 page 77.

31 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.

32 Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 page 81.

Policy decision	Details
Facilitating the closure of eligible rollover funds[33]	The Government will amend the *Treasury Laws Amendment (Reuniting More Superannuation) Bill 2020*[34] to: ■ 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.

Announced on Friday 2 October 2020

Expanding small business tax concessions

The Treasurer, Josh Frydenberg, announced in a joint media release with the Minister for Housing and Assistant Treasurer, on 2 October 2020, an expansion of following small business tax concessions to eligible businesses that have an aggregated annual turnover between $10 million and $50 million.[35]

The small business tax concessions will be extended to the eligible businesses in stages as follows:

- an immediate deduct for certain start-up expenses and certain prepaid expenditure — from **1 July 2020**
- exemption from the 47 per cent FBT on car parking and multiple work-related portable electronic devices such as phone or laptops, provided to employee — from 1 April 2021
- From 1 July 2021:
  - access to the simplified trading stock rules
  - ability to remit pay as you go (PAYG) instalments based on GDP adjusted notional tax
  - monthly settlement of excise duty and excise-equivalent customs duty on eligible goods
  - a two-year amendment period applicable to income tax assessments for income years starting from 1 July 2021.

33 Source: Commonwealth of Australia, *Economic and Fiscal Update*, July 2020 pages 81 and 82.

34 At the time of writing, this Bill — which was introduced on 6 February 2020 — was before the Senate.

35 Media release. 2 October 2020. The Treasurer, Josh Frydenberg and the Minister for Housing & Assistant Treasurer. *Expanding access to small business tax concessions to support jobs.* https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/expanding-access-small-business-tax-concessions

Federal Budget summary 2020–21

Measures and start dates at a glance

Budget measure	
Individuals	**Start date**
Pandemic leave disaster payment arrangement	From 7 August 2020 to 4 February 2021
Economic support payments to certain social security recipients	From November 2020
Increasing the Medicare levy low-income thresholds	From the 2019–20 income year
Bringing forward the Personal Income Tax Plan	From the 2020–21 income year
Deductions	
Temporary full expensing of eligible capital assets	Assets acquired from 7.30 pm AEDT on 6 October 2020 and first used or installed by 30 June 2022
Capital gains tax	
Exempting granny flat arrangement from CGT	From first income year after Royal Assent
Fringe benefits tax	
Reducing the compliance burden of record keeping	Start of the first FBT year after Royal Assent
Exemptions to support retraining and reskilling	6 October 2020
Small business	
Supporting small business — responsible lending and insolvency reform	Generally, from 1 January 2021
Increasing the SBE turnover threshold — increasing access to small business entity concessions	1 July 2020, 1 April 2021 and 1 July 2021
Victoria's business support and other State grants to be NANE income	Grant payments on or after 13 September 2020 and before 30 June 2021

Budget measure	
Companies	
Clarifying the corporate tax residency test	First income year after Royal Assent Option to apply from 15 March 2017
Temporary loss carry-back	Losses incurred in 2019–20 Election first available in 2020–21 tax return
Refinement of the research and development tax incentive	Income years starting on or after 1 July 2021
Revised start for targeted amendments to Div 7A	Income years commencing after Royal Assent
Bounties and subsidies	
Export market Development Grants — scheme simplification	1 July 2021
Tax exempt entities	
ACNC Review program	From the 2020–21 income year
Philanthropy — updates to the list of specifically listed deductible gift recipients	1 July 2020
International	
updating the list of information exchange countries	Effective from 1 January 2021
Privileges and immunities — income tax exemptions for individuals engaged by the IMF and World Bank	1 July 2017
Strengthening Australia's foreign investment framework	Funding over four years Fees revised from 1 January 2021
Superannuation	
Superannuation reform — ensuring that superannuation follows employees when they change jobs; empowering members; holding funds to account for underperformance; and increasing accountability and transparency	From 1 July 2021

Budget measure	
Compliance	
AUSTRAC capability uplift	2020–21 to 2023–24 income years
More funding for the ATO to target serious and organised crime	Funding over two years from 2021–22
The JobMaker Plan / the JobKeeper Scheme	
Jobmaker hiring credit	7 October 2020
Jobmaker Plan — Driving jobs through housing	From 2020–21
Jobmaker Plan — boosting apprenticeships wage subsidy	From 5 October 2020 to 30 September 2021
Changes to the JobKeeper Payment scheme	Decline in turnover test — from 28 September 2020
Other taxes	
Indirect tax concession scheme — Diplomatic and consular concessions	A time to be specified by the Minister for Foreign Affairs

Budget measures

Individuals

2020-21 Federal Budget - Pandemic leave disaster payment

KEY POINTS
▪ The Government announced that it will provide a one-off pandemic leave disaster payment of $1,500 to eligible workers in states that have agreed to partner with the Commonwealth.
▪ The purpose of the payments is to help individuals who are unable to earn income while under a direction to self-isolate or quarantine as a result of COVID-19.
▪ Individuals already in receipt of other Commonwealth income support payments, including JobKeeper and JobSeeker, are not eligible for pandemic leave disaster payments.

START DATE

Commenced from 7 August 2020 and is expected to run until 4 February 2021.

Background

The Government amended the *Financial Framework (Supplementary Powers) Regulations 1997* to allow it to make a 'pandemic leave disaster payment' of $1,500 for a fortnight to eligible individuals who are unable to earn income as a result of COVID-19 because they are:

- required to remain in isolation as a quarantine measure; or
- caring for a person who is required to remain in isolation as a quarantine measure.

The purpose of the payments is to help workers, including guardians and carers, self-isolate while contagious or potentially contagious to avoid community transmission and prevent further cases of COVID-19.

Individuals already in receipt of other Government income support payments, including JobKeeper and JobSeeker, are not eligible for pandemic leave disaster payments.

On 3 August 2020, the Prime Minister, Scott Morrison, announced the establishment of pandemic leave disaster payments of $1,500 per person for a fortnight for eligible workers in Victoria.

Extension to workers in partner states

As part of the 2020–21 Federal Budget, the Government has announced the extension of this assistance to eligible workers in the following states that have agreed to partner with the Commonwealth under the Pandemic Leave Disaster Payments arrangements:

- New South Wales;
- Tasmania;
- Victoria;
- Western Australia.

State governments will refund the Commonwealth for any payments made to workers on temporary visas.

Source: Budget Paper No. 2 page 107

2020-21 Federal Budget - Economic support payments to certain social security recipients

KEY POINTS
▪ The Government has announced that it will provide $2.6 billion over three years from 2020–21 by means of two separate $250 economic support payments to eligible recipients of certain social security payments and health care card holders.
▪ The payments, to be made principally from November 2020 and early 2021, will be exempt from tax and will not count as income support for the purposes of any income support payment.

The Government will provide $2.6 billion over three years from 2020–21 to provide two separate $250 economic support payments, to be made principally from November 2020 and early 2021, to eligible recipients of certain social security payments and health care card holders.

START DATE

First payment will be made from November 2020

The payments are similar in nature to the two separate $750 payments made in March 2020 and July 2020 to social security, veteran and other income support recipients and eligible concession card holders as part of the initial stimulus measure in response to COVID-19.

Eligible recipients

Payments will be made 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

Treatment of payments

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

Source: Budget Paper No. 2 page 151

2020-21 Federal Budget - Increasing the Medicare levy low-income thresholds

KEY POINTS

- The Government has announced it will increase the Medicare levy low-income threshold from the 2019–20 income year for:
  - singles — from $22,398 to $22,801;
  - families — from $37,794 to $38,474;
  - single seniors and pensioners — from $35,418 to $36,056;
  - seniors and pensioners — families — from $49,304 to $50,191; and
  - each dependent child-student — from $3,471 to $3,533.
- The increase adjusts the thresholds to take into account increases in the CPI.

START DATE

From the 2019–20 income year

As part of the 2020–21 Federal Budget, the Government announced that it will increase the Medicare levy low-income threshold for singles, families, and seniors and pensioners from the 2019–20 income year.

The increase adjusts the thresholds to take into account increases in the Consumer Price Index (CPI) so that low-income taxpayers generally continue to be exempted from paying the Medicare levy.

The Medicare levy low-income thresholds are detailed in the table below.

Income year	Individuals	Families	Pensioners below age pension age	Senior Australians	Seniors and pensioners — families	+ amount for each dependent child/student
2019–20	$22,801	$38,474	$36,056		$50,191	$3,533
2018–19	$22,398	$37,794	$35,418		$49,304	$3,471
2017–18	$21,980	$37,089	$34,758		$48,385	$3,406
2016–17	$21,655	$36,541	$34,244		$47,670	$3,356
2015–16	$21,335	$36,001	$33,738		$46,966	$3,306
2014–15	$20,896	$35,261	$33,044		$46,000	$3,238
2013–14	$20,542	$34,367	$32,279		$46,000	$3,156
2012–13	$20,542	$33,693	$32,279		$46,000	$3,094
2011–12	$19,404	$32,743	$30,451	$30,685	$44,500	$3,007
2010–11	$18,839	$31,789	$30,439	$30,685	$44,500	$2,919

Source: Budget Paper No. 2 page 188

2020-21 Federal Budget - Bringing forward the Personal Income Tax Plan and retaining the low and middle income tax offset

KEY POINTS
■ The Government has announced that it will bring forward the second stage of its legislated 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 top threshold of the 32.5 per cent personal income tax bracket will increase from \$90,000 to \$120,000; ■ the maximum amount of the Low Income Tax Offset will increase from \$445 to \$700. ■ The Government has also confirmed that the Low and Middle Income Tax Offset — capped at \$1,080 — will be retained for the 2020–21 income year.

As part of the 'JobMaker Plan' in the 2020–21 Federal Budget, the Government announced that it will amend various elements of its legislated Personal Income Tax Plan.

START DATE

From the 2020–21 income year

Background

On 21 June 2018, the enactment of the *Treasury Laws Amendment (Personal Income Tax Plan) Act 2018*[36] gave effect to the Government's seven-year Personal Income Tax Plan, announced as part of the 2018–19 Federal Budget.

On 5 July 2019, the enactment of the *Treasury Laws Amendment (Tax Relief So Working Australians Keep More of Their Money) Act 2019*[37] amended aspects of the legislated Personal Income Tax Plan.

The Acts together implemented the following measures:

- the introduction of a temporary Low and Middle Income Tax Offset (LMITO) capped at \$1,080 — in addition to the existing Low Income Tax Offset (LITO) — for the 2018–19 to 2021–22 years;
- replacement of the LMITO and LITO with a new LITO — to be increased from \$645 to \$700 from 1 July 2022 — for the 2022–23 and later income years;
- changes to the marginal tax rates and income thresholds — with effect from the 2018–19, 2022–23 and 2024–25 income years respectively.

Stage 1 of the three-stage plan applied from the 2018–19 income year.

Announcement

The Government proposes to bring forward Stage 2 of the Personal Income Tax Plan by two years, from 1 July 2022 to 1 July 2020, comprising:

- an increase in the top income threshold of the 19 per cent tax bracket from \$37,000 to \$45,000;
- an increase in the top income threshold of the 32.5 per cent tax bracket from \$90,000 to \$120,000;

[36] Act No. 47 of 2018.

[37] The Act received Royal Assent as Act No. 52 of 2019.

- an increase in the LITO from $445 to $700.

The Government also confirmed that it will retain the LMITO for 2020–21.

Personal income tax thresholds — from 1 July 2020 to 30 June 2022

Legislated personal income tax thresholds from 1 July 2020 to 30 June 2022 (Stage 1)			Proposed personal income tax thresholds from 1 July 2020 to 30 June 2022 (Stage 2)		
Taxable income	**Rate**	**Tax payable**	**Taxable income**	**Rate**	**Tax payable**
$0 – $18,200	0%	Nil	$0 – $18,200	0%	Nil
$18,201 – **$37,000**	19%	Nil + 19% of excess over $18,200	$18,201 – **$45,000**	19%	Nil + 19% of excess over $18,200
$37,001 – $90,000	32.5%	$3,572 + 32.5% of excess over $37,000	**$45,001** – $120,000	32.5%	$5,092 + 32.5% of excess over $45,000
$90,001 – $180,000	37%	$20,797 + 37% of excess over $90,000	$120,001 – $180,000	37%	$29,467 + 32.5% of excess over $120,000
$180,000 +	45%	$54,097 + 45% of excess over $180,000	$180,000 +	45%	$51,667 + 45% of excess over $180,000

Personal income tax thresholds — from 1 July 2022

The Government has not proposed to change the legislated personal income tax thresholds and rates for the 2022–23 and later income years:

Legislated personal income tax thresholds from 1 July 2022 to 30 June 2024 (Stage 2)			
Taxable income	**Rate**	**Tax payable**	
$0 – $18,200	0%	Nil	
$18,201 – $45,000	19%	Nil	+ 19% of excess over $18,200
$45,001 – $120,000	32.5%	$5,092	+ 32.5% of excess over $45,000
$120,001 – $180,000	37%	$29,467	+ 37% of excess over $120,000
$180,000 +	45%	$51,667	+ 45% of excess over $180,000

Legislated personal income tax thresholds from 1 July 2024 (Stage 3)			
Taxable income	**Rate**	**Tax payable**	
$0 – $18,200	0%	Nil	
$18,201 – $45,000	19%	Nil	+ 19% of excess over $18,200
$45,001 – **$200,000**	30%	$5,092	+ 30% of excess over $45,000
$200,000 +	45%	$51,592	+ 45% of excess over $200,000

Low Income Tax Offset

From 1 July 2020, the Government will also increase the maximum amount of the LITO from $445 to **$700**.

The currently legislated LITO is withdrawn at 1.5 cents per dollar between $37,000 and $66,667.

The increased LITO will be withdrawn at the following rates:

Withdrawal rate	Proposed taxable income thresholds
5 cents per dollar	$37,500 to $45,000
1.5 cents per dollar	$45,000 to $66,667

Low and Middle Income Tax Offset

The LMITO operates in addition to the LITO. The amount of the offset depends on the taxpayer's relevant income level:

Legislated LMITO for the 2018–19 to 2021–22 income years	
Relevant income[38] for the income year	**LMITO amount**
$37,000 or less	$255
$37,001 to $48,000	$255, plus 7.5 per cent of the amount of relevant income exceeding $37,000 (to a maximum benefit of $1,080)
$48,001 to $90,000	$1,080 (maximum)
$90,001 to $126,000	$1,080, less three per cent of the amount of relevant income exceeding $90,000

The Government has confirmed that the LMITO will be retained for the 2020–21 income year. Consistent with current arrangements, the LMITO will be received on assessment after individuals lodge their income tax returns for the 2020–21 income year.

Tax relief

According to the Government's fact sheet titled *Lower Taxes: Supporting households, driving investment and creating jobs*, the proposed bring forward of the second stage of the Personal Income Tax Plan will provide tax relief of up to $2,745 compared with 2017–18 settings.

[38] *Relevant income* of the entity is the taxable income of an individual or the share of the net income of the trust in respect of which a trustee is taxed on behalf of a beneficiary — s. 61-107(1) of the *ITAA 1997*.

TaxBanter Effective Tax Learning

The following table sets out the anticipated tax relief[39]:

Taxable income	2017–18	2020–21		
	Tax liability	Tax liability (proposed)	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%

Reference

A tax relief estimator is available here:

https://budget.gov.au/calculator/index.htm

Source: Budget Paper No. 2 page 18;
Fact sheet: Lower Taxes: Supporting households, driving investment and creating jobs; and
Online tax relief estimator

39 The tax relief calculations take into account only the basic tax scales, the LITO, the LMITO and the Medicare levy (with 2017–18 Medicare levy single low-income threshold).

2020-21 Federal Budget - Updating the list of exchange of information jurisdictions

KEY POINTS
■ The Government has announced that it will update the list of countries whose residents are eligible to access a reduced withholding tax rate of 15 per cent on certain distributions from Australian Managed Investment Trusts.
■ Countries which have entered into information sharing agreements and are to be listed are Dominican Republic, Ecuador, El Salvador, Hong Kong, Jamaica, Kuwait, Morocco, North Macedonia and Serbia.

START DATE

Effective from 1 July 2021

As part of the 2020–21 Federal Budget, the Government announced that it will update the list of countries whose residents are eligible to access a reduced withholding tax rate of 15 per cent, instead of the default rate of 30 per cent, on certain distributions from Australian Managed Investment Trusts (MITs).

To be on this list, a country must have established the legal relationship enabling it to share taxpayer information with Australia.

The list will be updated to include the following countries:

- Dominican Republic
- Ecuador
- El Salvador
- Hong Kong
- Jamaica
- Kuwait
- Morocco
- North Macedonia
- Serbia

Kenya will be removed because it had not yet entered into an information sharing agreement with Australia in January 2020 when the annual assessment was undertaken to determine the updates to be made to the list,

The above changes will increase the number of countries on the list from 122 to 130.

This measure supports the operation of the MIT withholding tax system by providing the reduced withholding tax rate only to residents of countries that enter into effective information sharing agreements with Australia.

Source: Budget Paper No. 2 page 17

2020-21 Federal Budget - Privileges and Immunities - Income tax exemptions for individuals engaged by the IMF and World Bank

KEY POINTS
▪ The Government will clarify privileges and immunities, including income tax exemptions, available to Australian individuals performing short-term missions on behalf of the International Monetary Fund (IMF) and three institutions of the World Bank Group (WBG).
▪ The measure will apply retrospectively from 1 July 2017.

START DATE
1 July 2017

As part of the 2020–21 Federal Budget, the Government announced that it will clarify privileges and immunities, including income tax exemptions, available to Australian individuals performing short-term missions on behalf of the International Monetary Fund (IMF) and three institutions of the World Bank Group (WBG).

Background

Under the *International Organisations (Privileges and Immunities) Act 1963*, an international organisation, and persons engaged by it, may be accorded certain privileges and immunities which may include an exemption from tax.

Clarifying privileges and immunities for the IMF and WBG

The measure will clarify that Australian short-term experts are entitled to an exemption from income tax for their relevant income from the IMF and WBG.

This outcome, which is consistent with Australia's longstanding support for and contributions to the IMF and WBG, aligns Australia's domestic legislative framework with its international obligations and is intended to provide certainty for taxpayers.

Source: Budget Paper No. 2 page 22

2020-21 Federal Budget - Strengthening Australia's Foreign Investment Framework

KEY POINTS
▪ The Government has announced measures to strengthen Australia's Foreign Investment Framework including: ▪ funding of $86.3 million over four years to implement a new information and communications technology (ICT) platform; ▪ a new consolidated Register of Foreign Ownership of Australian Assets; ▪ simplifying the foreign investment fee framework including revising the fees from 1 January 2021 to ensure foreign investors and not Australian taxpayers bear the cost of administering the foreign investment system.

As part of the 2020–21 Federal Budget, the Government announced that it will strengthen Australia's Foreign Investment Framework by providing:

- $86.3 million over four years to implement a new Information and Communications Technology (ICT) platform to support foreign investment application processing and compliance activities across government[40];
- a new consolidated Register of Foreign Ownership of Australian Assets;
- a simplified foreign investment fee framework, with revised fees from 1 January 2021 to ensure foreign investors and not Australian taxpayers bear the cost of administering the foreign investment system.

Source: Budget Paper No. 2 page 23

Companies

2020-21 Federal Budget - Research and Development Tax Incentive

KEY POINTS
▪ The Government has announced that the research and development (R&D) tax incentive will be amended to support business R&D investment in Australia from **1 July 2021** by: ▪ reducing the number of intensity tiers from three to two for the marginal R&D premium, and increasing the premiums available for companies with aggregated annual turnover of $20 million or more; ▪ amending the refundable R&D offset for companies with aggregated annual turnover below $20 million so it is 18.5 percentage points above the claimant's company tax rate; ▪ not proceeding with the cap of $4 million per annum for cash refunds.

[40] This amount is addition to net funding of $54 million over four years announced in the *July 2020 Economic and Fiscal Update,* for *Reforming Australia's Investment Framework.*

As part of the 2020–21 Federal Budget, the Government announced that it will amend the research and development (R&D) tax incentive to support business R&D investment in Australia and help businesses manage the economic impacts of the Coronavirus pandemic.

START DATE

Income years starting on or after 1 July 2021

For companies with aggregated annual turnover of less than $20 million, the refundable R&D 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 companies with aggregated annual turnover of $20 million or more, the Government will reduce the number of intensity tiers from three to two. 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 for these companies will be as follows:

For R&D expenditure …	The marginal R&D premium will be the claimant's company tax rate plus …
between 0 and 2 per cent R&D intensity	8.5 percentage points
above 2 per cent R&D intensity	16.5 percentage points

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

Source: Budget Paper No. 2 pages 19 and 20

2020-21 Federal Budget - Clarifying the corporate tax residency test

KEY POINTS

- The Government has announced that it will make technical amendments to clarify the corporate tax residency test.
- The law will be amended to provide that a company that is incorporated offshore will be treated as an Australian tax resident if it has a 'significant economic connection to Australia', which will be satisfied where both the company's core commercial activities are undertaken in Australia and its central management and control is in Australia.
- Proposed to apply to the first income year after the date of Royal Assent of the enabling legislation, with an option to apply the new law from 15 March 2017 (being the date of withdrawal of TR 2004/15).

The Government will make technical amendments to clarify the corporate tax residency test.

The law will be amended to provide that a company that is incorporated offshore will be treated as an Australian tax resident if it has a 'significant economic connection to Australia'.

START DATE

First income year after date of Royal Assent of enabling legislation

Option to apply new law from 15 March 2017

The measure will have general effect from the first income year after the date of Royal Assent of the enabling legislation.

However, taxpayers will have the option of applying the new law from 15 March 2017.[41]

Background

Under the current law, a company that is not incorporated in Australia will be a resident for Australian income tax purposes only if it carries on business in Australia, and has either its central management and control in Australia, or its voting power controlled by shareholders who are residents of Australia.[42]

The Government believes that the ATO's interpretation, following the High Court's 2016 decision in *Bywater Investments Ltd v FCT*[43], departed from the long-held position on the definition of a corporate resident.

The Government requested that the Board of Taxation review the definition in 2019–20. The new definition is consistent with the Board's key recommendation in its 2020 report: *Review of Corporate Tax Residency* and the Government considers it will mean the treatment of foreign incorporated companies will reflect the position prior to the 2016 High Court decision.

New definition — meaning

The new 'significant economic connection to Australia' test will be satisfied where both the company's core commercial activities are undertaken in Australia and its central management and control is in Australia.

Source: Budget Paper No. 2 page 13

2020-21 Federal Budget - Temporary loss carry-back for companies

KEY POINTS
▪ The Government has announced that the tax law will be amended to allow corporate tax entities with an aggregated turnover of less than $5 billion to elect 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.
▪ The effect of the election will be to generate a refundable tax offset and it will first be available when lodging the 2020–21 tax return, subject to the amount carried back not being more than the earlier taxed profits and not generating a franking account deficit.

The Treasurer announced that the Government will amend the tax law to allow eligible companies to elect 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.

START DATE

Losses incurred in 2019–20.

Election first available when lodging 2020–21 tax return.

[41] This was the date on which the ATO withdrew ruling TR 2004/15: *Income Tax: residence of companies not incorporated in Australia — carrying on a business in Australia and central management and control*.

[42] Section 6 of the *ITAA 1936* — para. (b) of definition of 'resident' or 'resident of Australia'.

[43] [2016] HCA 45.

Background

Under the current law, companies are required to carry forward tax losses to offset profits in future years.

The new loss carry-back measure is designed to promote economic recovery by providing cash flow support to previously profitable companies that COVID-19 has turned into loss making businesses — many such businesses might find it difficult to survive or re-employ staff if they had to wait years to get tax relief for the losses under the present system.

Note — Former loss carry-back regime

An optional loss carry-back regime for companies and other corporate tax entities was previously inserted into the *ITAA 1997* in 2013, applicable for the 2012–13 and future income years.

However, these measures were repealed in 2014, with effect from the 2013–14 income year.

This meant that the **2012–13 income year** was the **first and only year** to which the former measures applied.

As a transitional measure, only a one-year carry back was allowed for the 2012–13 income year, even though the regime was designed to enable a maximum two-year carry back.

The regime did not require the prior year's tax return to be amended — it provided a refundable tax offset in the year from which the loss was being carried back, based on a notional tax calculation as to the refund to which the company would have been entitled if the loss had actually been claimable in the previous income year.

The regime was restricted to revenue losses (i.e. capital losses were not eligible). There was a cap of $1 million on the amount of losses that could be carried back in each claim year — resulting in a maximum refundable tax offset of $300,000 (at the then prevailing corporate tax rate of 30 percent).

There was also a further limit in that the maximum amount of the tax value of the loss carry back (i.e. $300,000) could not exceed the surplus balance of the company's franking account at the end of the income year for which the loss carry back was being claimed.

Eligibility

Corporate tax entities with an aggregated turnover of less than $5 billion will be able to apply tax losses against taxed profits in a previous year, generating a refundable tax offset in the year in which the loss is made.

As with the former regime, the carry back is notional — it is not necessary to amend the prior year return — the benefit is received in the assessment for the year in which the election is made.

The tax refund will be limited by requiring that the amount carried back is not more than the earlier taxed profits and that it does not generate a franking account deficit.

However, unlike the previous regime, provided taxed profits in the earlier year are sufficient and the carry back would not generate a franking account deficit, there is no set monetary cap on the amount of loss that can be carried back or the amount of refundable tax offset that can be received.

Using the election

The tax refund will be available on election by eligible businesses when they lodge their 2020–21 and 2021–22 tax returns.

If the election is not utilised, or to the extent that there are not sufficient taxed prior year profits to allow full carry back of a loss, any losses not carried back are carried forward in the usual manner.

Example — Loss carry-back in successive years

Jamie owns a coffee bean wholesaling company, Jamie's Coffee Pty Ltd, which has an aggregated annual turnover of $51 million. In 2018–19, Jamie's Coffee Pty Ltd made a tax profit of $5 million and paid $1.5 million in income tax.

Due to the impact of COVID-19 restrictions on customer demand and its ability to trade, Jamie's Coffee Pty Ltd makes a tax loss of $2 million in 2019–20.

Under the current tax law treatment of losses, Jamie's Coffee Pty Ltd would carry these losses forward until it made a taxable profit. With temporary loss carry-back, when the company lodges its 2020–21 company tax return, it will receive a tax refund of $600,000 in recognition of this loss and tax paid in 2018–19.

Continuing into 2020–21, reduced trading means Jamie's Coffee Pty Ltd makes another tax loss of $500,000. The company paid enough tax in 2018–19 to also offset the loss from 2020–21, resulting in a further refund of $150,000.

Source: Budget Document: Lower Taxes at page 11

An additional proposed benefit of the loss carry-back measure will be its interaction with the new incentive for companies to invest under the temporary full expensing measure, by providing cash flow to enable them to utilise that measure.

Example — Interaction of loss carry-back and full expensing

Bogong Builders Pty Ltd has aggregated annual turnover of $60 million for the 2021–22 income year. On 1 July 2021, Bogong Builders Pty Ltd purchases a truck-mounted concrete pump for $1 million, exclusive of GST. The company's taxable income for 2021–22 was $600,000 before the purchase. Without temporary full expensing, Bogong Builders Pty Ltd would claim a tax deduction of around $300,000, resulting in a taxable profit of $300,000, and a tax bill of $90,000.

Under temporary full expensing, Bogong Builders Pty Ltd will instead deduct the full cost of the asset of $1 million, resulting in a tax loss of $400,000. Under temporary loss carry-back, Bogong Builders Pty Ltd offsets this tax loss against profits in 2018–19, resulting in a tax refund of $120,000. Without the refund, the company may have had to defer the investment until its cash flow position recovered or it may not have purchased the new pump at all.

Source: Budget Document: Lower Taxes at page 12

Source: Budget Paper No. 2 page 21; and
Budget Document: Lower Taxes at pages 11-12

2020-21 Federal Budget - Supporting small business - responsible lending and insolvency reform

KEY POINTS
■ The Government announced that it will implement reforms to support consumers and businesses including by: ▪ simplifying access to credit for consumers and small business; ▪ reforming Australia's insolvency framework for small businesses.

START DATE

Generally from 1 January 2021[44]

As part of the 2020–21 Federal Budget, and in media releases issued on 24 September and 25 September 2020, the Treasurer, Josh Frydenberg and the Assistant Treasurer, Michael Sukkar, announced that the Government would implement reforms to support consumers and businesses by reducing the regulatory burden to ensure a timely flow of credit and resolution for distressed businesses.

The measures 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 that represent consumers in dispute resolution processes with credit providers;
- removing duplication between the responsible lending obligations contained in the *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.

The Government will consult publicly with stakeholders before finalising any legislation required to implement the reforms.

Source: Budget Paper No. 2 page 163; and
The Treasurer and the Assistant Treasurer's joint Media Releases on
24 September 2020: Insolvency reforms to support small businesses recovery, and
25 September 2020: Simplifying access to credit for consumers and small business

[44] Consumer credit reforms are expected to commence from 1 April 2021.

2020-21 Federal Budget - Increasing the SBE turnover threshold

KEY POINTS

■ The Government has announced that it will expand access to a range of small business tax concessions by increasing the small business entity (SBE) turnover threshold from $10 million to **$50 million**.
■ Eligible businesses within the increased turnover threshold will have access to up to ten small business tax concessions in three phases, as follows:
    ■ from **1 July 2020** — immediate deductions for eligible start-up expenses and eligible prepaid expenditure;
    ■ from **1 April 2021 —** FBT exemptions for car parking and work-related portable electronic devices provided to employees;
    ■ from **1 July 2021** — simplified trading stock rules; remittance of PAYG instalments based on GDP adjusted notional tax; two-year amendment period for income tax assessments; monthly settlement of excise duty and excise-equivalent customs duty.
■ The eligibility turnover thresholds for other small business tax concessions will remain at their current levels.

As part of the 2020–21 Federal Budget, the Government announced that it will expand access to a range of small business tax concessions by increasing the small business entity turnover threshold from $10 million to **$50 million**.

START DATE
Various

Background

The Tax Law provides a range of tax concessions[45] for eligible small businesses that meet the definition of 'small business entity' ('SBE') in s. 328-110 of the *ITAA 1997*.

Broadly, an entity is an SBE for an income year (the 'current year') if it carries on business in the current year, and one or both of the following applies:

- the entity carried on a business in the income year before the current year and its 'aggregated turnover' for the previous year was less than $10 million;
- the entity's 'aggregated turnover' for the current year is likely to be less than $10 million.

Increasing the SBE turnover threshold

The Government will increase the SBE turnover threshold from $10 million to **$50 million**.

Under this measure, eligible businesses — being businesses with an aggregated annual turnover of $10 million or more but less than $50 million — will have access to up to a **further ten small business tax concessions** in three phases, as set out in the following table:

[45] Broadly, these concessions may include a reduced rate of tax, simpler rules for determining income and deductions, simplified capital allowances and trading stock requirements and reduced compliance costs.

Phase and application date	Eligible businesses with aggregated turnover of ≥ $10 million but < $50 million will be…
Phase 1 — from **1 July 2020**	Entitled to immediate deductions for: ■ eligible start-up expenses; ■ eligible prepaid expenditure.
Phase 2 — from **1 April 2021**	Exempt from FBT on the following benefits provided to employees: ■ car parking; ■ multiple work-related portable electronic devices (e.g. phones or laptops).
Phase 3 — from **1 July 2021**	Entitled to: ■ access the simplified trading stock rules; ■ remit PAYG instalments based on GDP adjusted notional tax; ■ the two-year amendment period for income tax assessments for income years starting from 1 July 2021; ■ monthly settlement of excise duty and excise-equivalent customs duty on eligible goods.

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

Important

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

Source: Budget Paper No. 2 pages 16–17;
Federal Budget Fact Sheet titled 'Lower Taxes'
Treasurer's Media Release: Tax relief to back hard-working Australians and to create more jobs

2020-21 Federal Budget - Revised start dates for Div 7A and other tax and superannuation measures

KEY POINTS
▪ The Government announced that it has revised the start date for the proposed amendments to Div 7A of Part III of the *ITAA 1936*, as well as a number of other outstanding tax and superannuation measures.
▪ The revised start dates were previously included in the Government's Economic and Fiscal Update of 23 July 2020.

Revised start dates for Div 7A and other measures

START DATE

Various

As part of the 2020–21 Federal Budget, the Government announced that it has revised the start date for the proposed Div 7A amendments, as well as the start dates for a number of other outstanding tax and superannuation measures.

The revised start dates were previously included in the Government's Economic and Fiscal Update of 23 July 2020.

A list of outstanding tax and superannuation measures with revised commencement dates is set out in the following table:

	Proposed start dates	
Proposed measure	**Original**	**Revised**
Ten Year Enterprise Tax Plan — targeted amendments to Div 7A[46]	1 July 2020	Income years commencing on or after the date of Royal Assent of the enabling legislation
Tax Integrity — removing the capital gains discount at the trust level for Managed Investment Trusts (MITs) and Attribution MITs	1 July 2020	Income year(s) commencing on or after three months after the date of Royal Assent of the enabling legislation
Petroleum Resource Rent Tax (PRRT) — changing the PRRT settings to get a fair return (compliance and administration changes)	1 July 2019	
Superannuation — increasing the maximum number of allowable members in SMSFs and small APRA funds from four to six	1 July 2019	Royal Assent of the enabling legislation
Superannuation — reducing red tape for superannuation funds (exempt current pension income changes)	1 July 2020	1 July 2021

[46] Set out in a Treasury consultation paper titled *Targeted amendments to the Div 7A integrity rules* (October 2018).

Proposed measure	Proposed start dates	
	Original	Revised
Lost and unclaimed superannuation — allowing the ATO to pay lost and unclaimed superannuation amounts directly to New Zealand KiwiSaver accounts	1 July 2016	Six months after the date of Royal Assent of the enabling legislation
Deductible gift recipient reform — strengthening governance and integrity and reducing complexity	1 July 2020	Three months after the date of Royal Assent of the enabling legislation

Source: Budget Paper No. 2 pages 190-191

2020-21 Federal Budget - Victoria's business support and other State grants to be NANE

KEY POINTS
■ The Government has announced that it will amend the Tax laws to make the Victorian Government's business support grants for small and medium businesses, as announced on 13 September 2020, non-assessable, non-exempt (NANE) income for tax purposes.
■ The Government will extend this arrangement to similar grants by all States and Territories on an application basis.
■ NANE income treatment is only available for grants announced on or after 13 September 2020 and paid between 13 September 2020 and 30 June 2021.

As part of the 2020–21 Federal Budget, the Government announced that it will amend the Tax law to make the Victorian Government's business support grants for small and medium businesses, as announced on 13 September 2020, non-assessable, non-exempt (NANE) income for tax purposes.

START DATE

Grant payments announced on or after 13 September 2020 and made from that date (and before 30 June 2021).

Background

On 13 September 2020, the Premier of Victoria announced a $3 billion Business Resilience Package to help Victorian businesses impacted by the ongoing COVID-19 business restrictions and to prepare for 'COVID Normal' business.[47]

The package includes grants of $10,000, $15,000 or $20,000 for eligible businesses in targeted sectors, depending on the size of annual payroll[48] in a third round of the Business Support Fund.

State-based grants are generally considered to be assessable income for income tax purposes.

47 The Victorian Premier's Media Release titled *Supporting Victorian Businesses On Our Road To COVID Normal*, 13 September 2020.

48 The business will receive: $10,000 if its 2019–20 payroll is less than $650,000; $15,000 if its 2019–20 payroll is between $650,000 and less than $3 million; and $20,000 if its 2019–20 payroll is between $3 million and $10 million.

Announcement

The Tax laws will be amended to make the above grants NANE income for tax purposes.

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 proposes to introduce a new power in the Tax laws to make regulations to ensure that specified State and Territory COVID-19 business support grant payments are NANE income.

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

Source: Budget Paper No. 2 page 14

Tax exempt entities

2020-21 Federal Budget - ACNC review program

KEY POINTS
▪ The Government will provide $2.9 million over three years from 2020–21 to implement a compliance review program for charities at high risk of failing to meet governance standards of the Australian Charities and Not-for-profits Commission (ACNC).
▪ The review function will strengthen the ACNC's ability to provide greater assurance that charities have appropriate governance structures in place.

START DATE

From the 2020–21 income year

As part of the 2020–21 Federal Budget, the Government announced that it will provide $2.9 million over three years from 2020–21 to implement a program of field-based compliance reviews to intervene early where charities are at high risk of failing to meet their obligations under the governance standards of the Australian Charities and Not-for-profits Commission (ACNC).

The review function will strengthen the ACNC's ability to provide greater assurance to Government and the public that charities have appropriate governance structures in place and are using their income for charitable purposes, including when responding to natural disasters.

Source: Budget Paper No. 2 page 160

2020-21 Federal Budget - Updates to the list of specifically listed deductible gift recipients

KEY POINTS

■ The Government has announced that from 1 July 2020 the list of deductible gift recipients (DGRs) has been expanded to include the following seven organisations:
  ■ Royal Agricultural Society Foundation Limited;
  ■ Judith Neilson Institute for Journalism and Ideas;
  ■ The Andy Thomas Space Foundation;
  ■ The Royal Humane Society of New South Wales;
  ■ Youthsafe;
  ■ Alliance for Journalists' Freedom;
  ■ The Great Synagogue Foundation Trust Fund.
■ Two organisations have received an extension of their DGR status:
  ■ Sydney Chevra Kadisha — to 30 June 2022
  ■ Centre for Entrepreneurial Research and Innovation Limited — from 31 December 2021.

START DATE

1 July 2020

As part of the 2020–21 Federal Budget, the Government announced that since the *July 2020 Economic and Fiscal Update,* the list of organisations approved as specifically listed deductible gift recipients (DGRs) has been expanded to include, from 1 July 2020:

- Royal Agricultural Society Foundation Limited
- Judith Neilson Institute for Journalism and Ideas
- The Andy Thomas Space Foundation
- The Royal Humane Society of New South Wales
- Youthsafe
- Alliance for Journalists' Freedom
- The Great Synagogue Foundation Trust Fund.

The following organisations have received an extension of their DGR status:

- Sydney Chevra Kadisha from 1 January 2021 to 30 June 2022;
- Centre for Entrepreneurial Research and Innovation Limited retains its DGR status from 31 December 2021 onwards.

Taxpayers can claim an income tax deduction for gifts of money of $2 or more to these organisations.

Source: Budget Paper No. 2 page 21

2020-21 Federal Budget - AUSTRAC capability uplift

KEY POINTS
▪ The Government has announced that it will provide $104.9 million over four years to the Australian Transaction Reports and Analysis Centre (AUSTRAC) to strengthen its capacity to combat serious financial crime and to protect Australia's financial system from criminal activities.

APPLICATION

2020–21 to 2023–24 income years

As part of the 2020–21 Federal Budget, the Government announced that it will provide $104.9 million over four years[49] to the Australian Transaction Reports and Analysis Centre (AUSTRAC) to strengthen its capacity to combat serious financial crime and to protect Australia's financial system from criminal activities.

The additional funding will also support the development of a new financial data reporting system to assist industry in meeting its reporting obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

The cost of this measure will be offset over ten years by an increase in the Australian Transaction Reports and Analysis Centre Industry Contribution Levy.

Source: Budget Paper No. 2 page 106

2020-21 Federal Budget - Additional funding to address serious and organised crime in the tax and superannuation system

KEY POINTS
▪ The Government has announced that it will provide $15.1 million to the ATO to target serious and organised crime in the tax and superannuation systems.

START DATE

Funding over two years from 2021–22

As part of the 2020–21 Federal Budget, the Government announced that it will provide $15.1 million to the ATO to target serious and organised crime in the tax and superannuation systems.

This will extend the 2017–18 Federal Budget measure *Additional funding for addressing serious and organised crime in the tax system* by a further two years to 30 June 2023.

The measure is expected to have a gain to the budget of $136.8 million over the forward estimates period.

Source: Budget Paper No. 2 page 13

49 Including $48.9 million in capital funding.

2020-21 Federal Budget - JobMaker Plan - Driving jobs through housing

KEY POINTS
■ The Government has announced that it will provide $0.6 million over four years from 2020–21 to boost housing demand and support the residential construction industry by: ■ extending the First Home Loan Deposit Scheme; ■ facilitating institutional investment to provide lower cost loans to community housing providers; and ■ an independent review of the National Housing Finance and Investment Corporation.

As part of the 2020–21 Federal Budget, the Government announced that it will provide $0.6 million over four years from 2020–21 to boost housing demand and support the residential construction industry.

START DATE

From 2020–21

Background

The First Home Loan Deposit Scheme (FHLD Scheme) is a Government initiative to support eligible first home buyers purchase their first home sooner. Usually first home buyers with less than a 20 per cent deposit need to pay lenders mortgage insurance. Under the FHLD Scheme:

- eligible first home buyers can purchase a modest home with a deposit of as little as 5 per cent of the purchase price;
- the National Housing Finance and Investment Corporation (NHFIC), a corporate Commonwealth entity, guarantees to a participating lender up to 15 percent of the value of the property purchased that is financed by an eligible first home buyer's home loan.

The Affordable Housing Bond Aggregator (AHBA) provides low cost and longer-term loans to registered community housing providers to support the provision of more social and affordable housing. The NHFIC funds AHBA loans by issuing its own bonds into the wholesale capital market. The Australian Government has also provided a $1 billion line of credit facility through which the NHFIC may advance initial loans to community housing providers prior to issuing bonds.

Boosting housing demand

This measure will:

- extend the FHLD Scheme to provide an additional 10,000 guarantees in 2020–21 to allow eligible first home buyers to build a new home or purchase a newly constructed home sooner with a deposit of as little as 5 per cent — these additional guarantees will be provided from 6 October 2020 until 30 June 2021;
- increase the NHFIC cap on total guaranteed liabilities to $3 billion to enable the AHBA to further support the community housing sector by facilitating institutional investment to provide lower cost loans to community housing providers;
- fund an independent review of the NHFIC to establish whether it is meeting its objectives of improving housing outcomes for Australians.

The measure builds on the July 2020 Economic and Fiscal Outlook measure titled *COVID-19 Response Package — HomeBuilder Grant* and the 2019–20 MYEFO measure titled *Election Commitment — First Home Loan Deposit Scheme*, and was announced by the Treasurer and the Minister for Housing on 3 October 2020.

Source: Budget Paper No. 2 page 161;
Treasurer's and Minister for Housing's Joint Media Release dated 3 October 2020

Capital gains tax

2020-21 Federal Budget - Exempting granny flat arrangements from CGT

KEY POINTS
■ The Government has announced that it will amend the law to provide a targeted CGT exemption for granny flat arrangements.
■ The CGT exemption will apply to arrangements with older Australians or those with a disability, where there is a formal written agreement in relation to the granny flat.
■ The new exemption is proposed to apply from the first income year after the date of Royal Assent of the enabling legislation.

On 5 October 2020, the Treasurer and the Minister for Housing and Assistant Treasurer announced in a Joint Media Release that the Government would provide a targeted CGT exemption for granny flat arrangements. This was confirmed in the 2020–21 Federal Budget.

APPLICATION

From the first income year after the date of Royal Assent of the enabling legislation.

Background

CGT consequences are currently an impediment to the creation of formal and legally enforceable granny flat arrangements. These consequences can include the potential application of CGT event D1 on creation of the interest and potential partial loss of the CGT main residence exemption for the property on subsequent disposal.

When faced with a potentially significant CGT liability, families often opt for informal arrangements, which can lead to financial abuse and exploitation if the family relationship breaks down.

Announcement

The Treasurer announced that the Government will amend the tax law to provide a **CGT exemption for granny flat arrangements** where there is a **formal written agreement**.

Under the measure, CGT will not apply to the **creation, variation or termination** of a formal written granny flat arrangement providing accommodation for older Australians or people with disabilities.

The change will only apply to agreements that are entered into **because of family relationships or other personal ties** and will **not** apply to commercial rental arrangements.

The exemption will have effect from the first income year after the date of Royal Assent of the enabling legislation.

It is intended that the measure will remove the CGT impediments, reducing the risk of abuse to vulnerable Australians.

The measure is consistent with the recommendations in the Board of Taxation's report titled *Review of Granny Flat Arrangements*.[50]

Source: Budget Paper No. 2 pages 23-24 and Treasurer and Minister for Housing and Assistant Treasurer's Joint Media Release 5 October 2020

Income — Bounties and subsidies

2020-21 Federal Budget - Export Market Development Grants - Scheme simplification

KEY POINTS
■ The Government has announced that it will simplify and reorient the Export Market Development Grants (EMDG) Scheme to more effectively support export-ready small and medium enterprises.
■ The new scheme, which will commence on 1 July 2021, will replace the current reimbursement scheme with a more targeted upfront grants program.

START DATE

1 July 2021

As part of the 2020–21 Federal Budget, the Government confirmed that it will simplify and reorient the Export Market Development Grants (EMDG) Scheme to more effectively support export-ready small and medium enterprises.

The announcement forms part of the Government's COVID-19 Response Package, and was originally announced by the Minister for Trade, Tourism and Investment on 10 September 2020.

Background

The EMDG scheme is a key Government financial assistance program, administered by Austrade, to help aspiring and current exporters increase their marketing and promotional activities in international markets.

The current EMDG scheme, which is intended to encourage small and medium-sized Australian businesses to develop export markets:

- reimburses up to 50 per cent of eligible export promotion expenses above $5,000 provided that the total expenses are at least $15,000;
- provides that eligible applicants may receive a grant of up to $150,000 per application (subject to available funds), to a maximum of eight annual grants.

As part of the Government's response to COVID-19, the annual EMDG budget was increased from $157.9 million to $207.7million in 2019–20, and grants worth $192.2 million were paid to 4,015 businesses in that financial year.

In October 2019, the Government commissioned an independent *Review of financial assistance to SME exporters*. The Review made ten recommendations, which centred on cutting red tape, increasing awareness of the EMDG scheme and giving exporters more funding certainty.

---

50 Dated November 2019. The report is available at: https://taxboard.gov.au/sites/taxboard.gov.au/files/2020-10/Final%20-%20Review%20of%20granny%20flat%20arrangements_0.pdf.

Changes to the EMDG Scheme

This measure will implement the recommendations of the independent review. Broadly:

- EMDG will be changed from a reimbursement scheme to an eligibility-based grants program;
- grants will target eligible SMEs at three stages:
  - eligible businesses that are new to export will be able to access grants of up to $80,000 over two years;
  - grants of up to $240,000 over three years will be available for eligible exporters who plan to expand their presence in current markets or enter new markets;
  - exporters who continue to expand into new markets will be able to access further grants of up to $450,000 over three years.

To be eligible for the new program, SMEs will need to be export-ready and have turnover of less than $20 million.

Source: Budget Paper No. 2 page 87;
Minister for Trade, Tourism and Investment Media Release dated 10 September 2020;
Austrade Fact Sheet dated 10 September 2020: Simplifying Export Market Development Grants (EMDG)

2020-21 Federal Budget – JobMaker Hiring Credit

KEY POINTS
■ The Government has announced that it 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 will be able to claim: ▪ $200 a week for each additional eligible employee they hire aged 16 to 29 years old; ▪ $100 a week for each additional eligible employee aged 30 to 35 years old.

START DATE

7 October 2020

As part of the 2020–21 Federal Budget, the Government has announced that it will provide $4.0 billion over three years from 2020-21 to accelerate employment growth by supporting organisations to take on additional employees through the JobMaker Hiring Credit.

The 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 JobMaker Hiring Credit for up to 12 months from the date the new position is created.

‘Additionality’ criteria

The employee must be in an additional job created from 7 October 2020. To demonstrate this, there must be an increase in:

- the employer’s total employee headcount (minimum of one additional employee) from the reference date of 30 September 2020;
- the payroll of the business for the reporting period, as compared to the three months to 30 September 2020.

Employer eligibility criteria

To be eligible, an employer must:

- have an Australian Business Number (ABN);
- be up to date with tax lodgement obligations;
- be registered for Pay As You Go (PAYG) withholding;
- report payroll information through Single Touch Payroll;
- meet the ‘additionality’ criteria;
- be claiming in respect of an eligible employee;
- have kept adequate records of the paid hours worked by the employee in respect of whom they are claiming the hiring credit.

Note that there is no need for an employer to satisfy a fall in turnover test.

Certain employers are ineligible, including:

- government agencies and sovereign entities;
- entities in liquidation or who have entered bankruptcy;
- employers who are claiming the JobKeeper payment or who are subject to the major bank levy.

Employee eligibility

To be eligible, an employee must:

- be within one of the relevant age ranges and be in their first year of employment with the eligible employer;
- 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 between 7 October 2020 and 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;
- be employed (on a permanent, casual or fixed term basis) for the relevant period for which the employer is claiming for them.

Certain employees are ineligible, including those for whom the employer is receiving a wage subsidy under another Commonwealth government program, and employees for whom another employer is claiming the JobMaker Hiring Credit.

JobMaker Hiring Credit claims

Eligible employers will be able to claim quarterly in arrears from the ATO. Claims open from **1 February 2021** (for new jobs created in the first reporting period of 7 October 2020 to 6 January 2021).

Registrations will open for eligible employers through ATO online services from **7 December 2020**.

Employers will be required to report quarterly that they meet the eligibility criteria.

Source: Budget Paper No. 2 page 162;
Treasury Fact Sheet: JobMaker Hiring Credit

2020-21 Federal Budget - JobMaker Plan - Boosting apprenticeships wage subsidy

KEY POINTS
▪ The Government has announced the introduction of a new *Boosting Apprenticeship Commencements wage subsidy*.
▪ From 5 October 2020 to 30 September 2021, businesses of any size can claim the wage subsidy for any new, or recommencing, apprentices or trainees.
▪ Eligible businesses will be reimbursed for 50 per cent of an apprentice or trainee's wages, up to $7,000 per quarter, capped to 100,000 places.

START DATE

From 5 October 2020 to 30 September 2021

On 4 October 2020, in a joint Media Release the Prime Minister, Scott Morrison, the Minister for Employment, Skills, Small and Family Business, Michaelia Cash and the Assistant Minister for Vocational Education, Training and Apprenticeships, Steve Irons, announced an additional $1.2 billion to support Australian businesses in employing 100,000 new apprentices or trainees. This support will be delivered via a new *Boosting Apprenticeship Commencements wage subsidy*.

From 5 October 2020 to 30 September 2021, businesses of any size can claim the new wage subsidy for any new, or recommencing, apprentices or trainees that commence during this period. Eligible businesses will be reimbursed for 50 per cent of an apprentice or trainee's wages, up to $7,000 per quarter, capped to 100,000 places.

Note

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

Source: Budget Paper No. 2 page 77

Joint Media Release by the Prime Minister, the Minister for Employment, Skills, Small and Family Business, and the Assistant Minister for Vocational Education, Training and Apprenticeships: 100,000 new apprenticeship positions to lead the COVID-19 economic recovery dated 4 October 2020

2020-21 Federal Budget - FBT - reducing the compliance burden of record keeping

KEY POINTS
▪ The Government has announced that for FBT purposes employers will be allowed to rely on existing corporate records — subject to what the Commissioner determines are adequate alternative records — thereby removing the need to complete additional employee declarations and other prescribed records.
▪ This measure will apply from the start of the first FBT year after Royal Assent of the enabling legislation.

START DATE

From the start of the first FBT year after Royal Assent of the enabling legislation

Background

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

Proposed compliance relief

As part of the 2020–21 Federal Budget, the Government has announced that it will provide the Commissioner with the power to allow employers to rely on existing corporate records, rather than employee declarations and other prescribed records.

As a compliance cost saving measure, employers will be allowed to — with what the Commissioner determines as adequate alternative records — rely on existing corporate records, removing the need to complete additional records.

Source: Budget Paper No. 2 pages 15–16

2020-21 Federal Budget - FBT – exemption to support retraining and reskilling

KEY POINTS
▪ The Government has announced that, from 6 October 2020, it will introduce an FBT exemption 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.
▪ The exemption will not extend to salary packaging arrangements or Commonwealth supported places at universities.

START DATE

6 October 2020

Background

Currently — unless the benefit satisfies the minor benefit exemption under s. 58P of the *FBTA Act* — 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.

Exemption to support retraining and reskilling

As part of the 2020–21 Federal Budget, the Government has announced that, from Budget night, it will introduce an FBT exemption for retraining and reskilling benefits that employers provide to redundant, or soon to be redundant, employees where the benefits may not be related to their current employment.

The FBT exemption will provide for a broader range of retraining and reskilling benefits, encouraging employers to retrain redundant employees to prepare them for their next career.

Important

The exemption will not extend to salary packaging arrangements or Commonwealth supported places at universities.

Source: Budget Paper No. 2 page 15; and
Treasurer's Media Release: Boost for skills training with Fringe Benefits Tax exemption

2020-21 Federal Budget - Indirect Tax Concession Scheme - Diplomatic and consular concessions

KEY POINTS
■ The Government has granted or extended access to refunds of indirect tax (including GST, fuel and alcohol taxes) under the Indirect Tax Concession Scheme as follows: ■ new access for the diplomatic and consular representations of Panama in Australia; ■ extended access for the diplomatic and consular representations in Australia of Portugal, Serbia and the Slovak Republic.

Background

The Indirect Tax Concession Scheme (ITCS) allows diplomatic missions, consular posts and certain international organisations in Australia to claim refunds of GST and other indirect taxes on goods and a limited number of services. The concessions are provided in accordance with Australia's international obligations.

The ITCS is implemented on the basis of reciprocity where a broadly comparable range of tax concessions is granted to Australian overseas missions, posts and accredited staff. The range of goods and services in respect of which missions, posts and accredited staff may seek refunds depends on the nature of the ITCS package agreement with each country represented in Australia.

Announcement

START DATE
A time specified by the Minister for Foreign Affairs

As part of the 2020–21 Federal Budget, the Government confirmed that it has granted or extended access to refunds of indirect tax (including GST, fuel and alcohol taxes) under the ITCS as follows:

- **new access** for the diplomatic and consular representations of Panama in Australia;
- **extended access** for:
  - Serbia and the Slovak Republic to include construction and renovation relating to their current and future diplomatic missions and consular posts; and
  - Portugal to be consistent with the 'standard plus' package (which allows for a broader range of refunds of GST and Wine Equalisation Tax included in the price of goods and services available under the ITCS).

This measure was originally announced as part of the July 2020 Economic and Fiscal Update.

Source: Budget Paper No. 2 page 188

2020-21 Federal Budget - Changes to the JobKeeper Payment scheme

KEY POINTS
▪ The Government has confirmed the following changes to the JobKeeper Payment scheme: ▪ the employment reference date for assessing employee eligibility changed from 1 March 2020 to 1 July 2020 — from 3 August 2020; ▪ the decline in turnover test for assessing employer eligibility for the December 2020 and March 2021 quarters must be met only in the previous quarter — from 28 September 2020. ▪ The Treasurer has previously registered amending Legislative Instruments to give legal effect to these changes.

START DATE

Employment reference date — from 3 August 2020

Decline in turnover test — from 28 September 2020

Background

The JobKeeper Payment is a wage subsidy payable to eligible businesses and not-for-profit organisations in respect of eligible employees.[51] The scheme commenced on 30 March 2020 and was originally legislated to end on 27 September 2020.[52]

A Legislative Instrument titled the *Coronavirus Economic Response Package (Payments and Benefits) Rules 2020* (the Rules), setting out the Treasurer's rules to give effect to the JobKeeper scheme, was registered on 9 April 2020.[53]

Legislation to extend the JobKeeper Scheme from 28 September 2020 to 28 March 2021 — first announced on 21 July 2020[54] — was enacted on 3 September 2020.[55]

Announcement

As part of the 2020–21 Federal Budget, the Government confirmed the following changes to the JobKeeper Payment scheme which were first announced on 7 August 2020[56]:

Employment reference date — employee eligibility

The employment reference date for assessing an employee's eligibility has been changed from 1 March 2020 to 1 July 2020, with effect from 3 August 2020.

---

51 The subsidy is also payable to eligible businesses in respect of eligible business participants, and to eligible religious organisations in respect of eligible religious practitioners.

52 The JobKeeper scheme was implemented by the *Coronavirus Economic Response Package (Payments and Benefits) Act 2020*, which received Royal Assent on 9 April 2020 as Act No. 37 of 2020.

53 FL2020L00419.

54 The Prime Minister, the Treasurer, and the Minister for Families and Social Services, joint Media Release titled *JobKeeper Payment and Income Support Extended*, 21 July 2020.

55 The *Coronavirus Economic Response Package (Jobkeeper Payments) Amendment Act 2020*, which received Royal Assent on 3 September 2020 as Act No. 46 of 2020.

56 The Prime Minister and the Treasurer, joint Media Release titled *More support for businesses and workers*, 7 August 2020.

On 14 August 2020, the Treasurer registered a Legislative Instrument titled the *Coronavirus Economic Response Package (Payments and benefits) Amendment Rules (No. 7) 2020*, which amended the Rules, to give effect to this change.

Decline in turnover test from 28 September 2020 — employer eligibility

The decline in turnover eligibility criteria have been changed from 28 September 2020 so that employers are required to demonstrate that their actual turnover was sufficiently affected in the previous quarter (rather than in every quarter from June 2020 onwards[57]) to be eligible for the payment in the December 2020 and March 2021 quarters.

A Legislative Instrument titled the *Coronavirus Economic Response Package (Payments and Benefits) Amendment Rules (No. 8) 2020*, which amended the Rules to give effect to this change was registered on 15 September 2020.

Source: Budget Paper No. 2 page 161; and
The Prime Minister and Treasurer's joint Media Release on
7 August 2020: More support for businesses and workers

2020-21 Federal Budget - Self-education expenses - Government consultation to expand deductions

KEY POINTS
▪ The Government has announced it will consult on potentially allowing individuals to deduct education and training expenses which they incur but which are not related to their current employment.
▪ The consultation will also look at whether these deductions should be targeted to future employment and skills needs.

As part of the 2020–21 Federal Budget, the Government announced that it will undertake consultation on potentially expanding the circumstances in which an individual can deduct self-education expenses.

START DATE

Not specified

Background

Individuals can currently deduct education or training expenses which they incur and which are sufficiently related to their current employment, and not for education or training that leads to different or new income earning opportunities. The current system may act as a disincentive for Australians to retrain and reskill to support their future employment and career.

Proposed consultation

The Government will consult on potentially allowing individuals to deduct education and training expenses which they incur where the expense is not related to their current employment. The consultation will also look at whether these deductions should be targeted to future employment and skills needs.

Source: Budget Paper No. 2 page 15; and
Treasurer's Media Release: Boost for skills training with Fringe Benefits Tax exemption

[57] The Prime Minister, Treasurer, and Minister for Families and Social Services, joint Media Release titled *JobKeeper Payment and Income Support Extended*, 21 July 2020.

2020-21 Federal Budget - Superannuation reform

KEY POINTS
▪ The Government has announced that it will provide $159.6 million over four years to implement reforms to superannuation in order to improve outcomes for members, including by: ▪ ensuring that superannuation follows employees when they change jobs; ▪ the development of an online, interactive comparison tool ('YourSuper') to help employees decide which superannuation product best meets their needs; ▪ holding funds to account for underperformance through the introduction of an annual performance test for MySuper products; ▪ ensuring superannuation trustees are more accountable and transparent as to how they are managing the retirement savings of their members. ▪ Proposed to commence from **1 July 2021**.

START DATE
1 July 2021

As part of the 2020–21 Federal Budget, the Government announced that it will provide $159.6 million over four years to implement reforms to superannuation in order 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 — will include the following changes to the superannuation system.

Ensuring that superannuation follows employees when they change jobs

An existing superannuation account will be 'stapled' to a member to avoid the creation of a new account when that person changes their employment.

In particular, it is proposed that:

- 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[58];
- 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.

It is intended that future enhancements will enable payroll software developers to build systems to simplify the process of selecting a superannuation product for both employees and employers through automated provision of information to employers.

58 The employer will do this by logging onto ATO online services and entering the employee's details. Once an account has been selected, the employer will pay superannuation contributions into the employee's account.

Empowering members

The ATO will develop an **online, interactive comparison tool** ('YourSuper') to help employees decide which superannuation product best meets their needs. It is intended that the tool will:

- provide a table of simple superannuation products (MySuper) ranked by fees and investment returns;
- link members to superannuation fund websites where they can choose a MySuper product;
- show members their current superannuation accounts and prompt them to consider consolidating accounts where they may have more than one.

Holding funds to account for underperformance

From 1 July 2021, the Australian Prudential Regulation Authority (APRA) will conduct **annual tests** on the net investment performance of MySuper products. Products that have underperformed over two consecutive annual tests will be prohibited from receiving new members until a further annual test shows they are no longer underperforming.

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

Increasing accountability and transparency

The Government will ensure superannuation trustees are more accountable and transparent as to how they are managing the retirement savings of their members.

In particular, it is proposed that trustees:

- will be required to comply with a new duty to act in the best financial interests of members;
- must demonstrate that there was a reasonable basis to support their actions being consistent with members' best financial interests;
- will be required to provide members with key information regarding how they manage and spend their money in advance of Annual Members' Meetings.

Source: Budget Paper No. 2 page 164;
Your Future, Your Super Fact Sheet
Treasurer's Media Release: Your future, your super – making super work harder for you

2020-21 Federal Budget - Temporary full expensing of eligible capital assets

KEY POINTS
■ The Government has announced that it will amend the tax law so that businesses with aggregated annual turnover of less than $5 billion will be able to deduct the full cost of eligible capital assets in the year they are first used. ■ Full expensing in the year of first use will apply to: ▪ new depreciating assets; ▪ the cost of improvements to existing eligible assets; ▪ for small and medium businesses (aggregated turnover of less than $50 million) — second-hand assets. ■ Applies to eligible capital assets acquired from **7.30pm AEDT on 6 October 2020** and first used or installed by **30 June 2022**.

As part of the 2020–21 Federal Budget, the Treasurer announced that businesses with aggregated annual turnover of less than $5 billion will be temporarily entitled to deduct the full cost of eligible capital assets in the year they are first used.

It is intended that the measure will improve cash flow for qualifying businesses that purchase eligible assets and bring forward new investment to support the economic recovery.

APPLICATION

Eligible capital assets acquired from 7.30pm AEDT on 6 October 2020 and first used or installed by 30 June 2022

Background

Under the current law, eligible businesses (including small business entities (SBEs)) are entitled to claim an immediate deduction for the taxable purpose proportion of the cost of a depreciating asset in the year in which the asset is acquired or installed ready for used for a taxable purpose, provided that the cost of the asset is less than the specified threshold (the 'instant asset write-off'). The instant asset write-off is currently scheduled to end on 31 December 2020.

The following table summarises the relevant dates for the instant asset write-off:

Dates first used, or installed ready for use	Instant asset write-off threshold	Eligible taxpayers
From 7.30pm (AEST) on 12 May 2015 to 30 June 2016	$20,000	SBEs with an aggregated turnover less than $2 million
From 1 July 2016 to 28 January 2019		SBEs with an aggregated turnover less than $10 million
From 29 January 2019 until 7.30pm (AEST) on 2 April 2019	$25,000	SBEs (aggregated turnover less than $10 million)

Dates first used, or installed ready for use	Instant asset write-off threshold	Eligible taxpayers
From 7.30pm (AEST) on 2 April 2019 to 11 March 2020	$30,000	All businesses with an aggregated turnover less than $50 million
From 12 March 2020 to 31 December 2020	$150,000	All businesses with an aggregated turnover less than $500 million
From 1 January 2021	$1,000	SBEs (aggregated turnover less than $10 million)

Announcement — Temporary full expensing of eligible capital assets

The Government will amend the tax law so that businesses with aggregated annual turnover of **less than $5 billion** will be entitled to deduct the **full cost** of eligible capital assets in the year they are first used.

The immediate deduction will be available for eligible capital assets acquired from **7.30pm AEDT on 6 October 2020** and first used or installed by **30 June 2022**.

Full expensing in the year of first use will apply to:

- new depreciating assets;
- the cost of improvements to existing eligible assets; and
- for small and medium sized businesses (aggregated annual turnover of less than $50 million) — second-hand assets.[59]

Extended application of instant asset write-off

Eligible businesses that acquire eligible new or second-hand assets under the $150,000 instant asset write-off by 31 December 2020 will have an extra six months, until 30 June 2021, to first use or install those assets.

Simplified depreciation pools

SBEs with aggregated annual turnover of less than $10 million will be entitled to 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.

Source: Budget Paper No. 2 page 20;
Treasury's Fact Sheet titled 'Lower Taxes' pages 9–10
Treasurer's Media Release: Tax relief to back hard-working Australians and to create more jobs

[59] 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 instant asset write-off.