

## Budget Summary

At Agent For Life, we've taken the opportunity to summarise the recently announced federal budget, to make it easier for you to understand the proposed changes and the timelines. Please find below our summary of the changes covering the proposed tax cuts, social security support, business tax changes and changes to the first home buyer grant.

Please Note – some of these changes are proposals only and may or may not be made law.

## Personal Tax Cuts brought forward

- Immediate tax relief: 'Stage two' personal income tax cuts will be brought forward two years, and backdated to 1 July 2020.
- Raised tax brackets: The upper threshold of the 19% tax bracket will rise from \$37,000 to \$45,000 and the upper threshold of the 32.5% tax bracket will rise from \$90,000 to \$120,000. This will be worth the equivalent of \$41 a week to those earning between \$50,000 and \$90,000 a year, and about \$49 a week to those earning more than \$120,000 a year (source: <https://budget.gov.au/calculator/index.htm>).
- Boost for workers on lower incomes: Workers on lower incomes will gain from an extension of the Low and Middle Income Tax Offset for a further 12 months until 30 June 2021, and increase in the Low Income Tax Offset from \$445 to \$700.

## Support for Pensioners, Low Income Earners, Welfare Recipients and Job-Seekers

- Two tax free cash payments: Aged pensioners, carers, disability support and concession cardholders and family tax benefits receivers will receive two \$250 payments. The payments will be made progressively from 30 November 2020 and early 2021, with Government yet to provide the exact timeline.
- Incentives for employers to hire: A JobMaker Hiring Credit will be paid for a year to businesses who hire an eligible unemployed worker aged 16 to 35. The rate will be \$200 a week for people under 30 and \$100 a week for people between 30 and 35, and they must work at least 20 hours a week. The JobMaker Hiring Credit is aimed at filling the gap when the JobKeeper scheme ends next March. It will apply for employers hiring a person from 7 October 2020 who has been on Jobseeker, Youth Allowance or Parenting Payments for a least one of the past three months. This credit will be payable for up to 12 months for each new employee. To be eligible, employers will need to demonstrate an increase in overall employee headcount and payroll for each additional new position created.
- Support to businesses employing apprentices and trainees: A wage subsidy will reimburse eligible businesses up to 50% of a new apprentice or trainee's wages hired from 5 October 2020. Subsidies are capped at \$7,000 per quarter, per eligible apprentice or trainee, capped at 100,000 places. Positions are open to any employer hiring an apprentice regardless of location, occupation, industry or business size.

▪ Income Protection - Life Insurance - Total and Permanent Disability - Trauma Cover - Superannuation

PO Box 5429, Mermaid Waters Qld 4218  
Mobile: 0412 732 761 ■ Email: [amanda@agentforlife.com.au](mailto:amanda@agentforlife.com.au)

## Your Future, Your Super Package – Commencing 1 July 2021

- Making it easier to choose a super fund: Super fund members will have access to a new interactive online comparison tool, YourSuper, aimed to encourage funds to compete harder for members' savings.
- Transparency around underperforming funds: To protect members from poor outcomes and encourage funds to lower costs, the Government will require superannuation products to meet an annual objective performance test. Those that fail will be required to inform members and refer members to the YourSuper comparison tool. Persistently underperforming products will be prevented from taking on new members.
- Additional trustee obligations: Super fund trustees need to ensure decisions are made in the best financial interest of members and provide better information on management and expenditure.
- Unless the employee nominates otherwise, it will be required that employers contribute into a new employee's current superannuation fund rather than the employer's default fund.

## Business Tax Changes

- Immediate tax write-off: Businesses with annual turnover of up to \$5 billion can write off the full cost of eligible capital assets acquired from 7.30pm AEDT 6 October 2020 and first used or installed for use by 30 June 2022.
- Businesses with annual aggregated turnover of less than \$50 million will also be able to claim the full cost of second-hand assets.
- Small businesses (with aggregated annual turnover of less than \$10 million) can deduct the balance of their simplified depreciation pool at the end of their income year.
- Loss carry-back: Companies with aggregated annual turnover of less than \$5 billion are now able to offset losses against previous profits on which tax has been paid.

Losses incurred in the 2020, 2021- and 2022-income years can be offset against profits made in or after the 2019 income year resulting in a refundable tax offset in the year the loss is made. The tax refund is limited to the extent that losses carried back cannot exceed earlier taxed profit and that the carry back amount does not generate a franking account deficit.

Eligible companies may elect to receive a tax refund when they lodge 2021 and 2022 tax returns. Companies that do not elect to carry back losses under this new measure can still carry forward losses as normal.

**We note that this is only available to companies and so losses incurred by businesses carried through a trust, partnership or an individual are not eligible for this offset.**

- Specific changes for small business: Small businesses with a turnover of up to \$50 million will be able to access up to 10 tax breaks, with fringe benefits tax scrapped on car parking, phones or laptops, simpler trading stock rules and easier PAYG instalments.

Income Prot

annuation

## First Home Buyers

- Purchase cap lifted: Up to 10,000 more first home buyers will be able to get a loan to build a new home or buy a newly built home with a deposit of as little as 5% (source: <https://budget.gov.au/2020-21/content/overview.htm> ). The purchase cap will also be lifted and varies depending on the State and regional area.

## Removing CGT for 'granny flat arrangements'

- A targeted CGT exemption will apply from 1 July 2021 (subject to the passing of legislation), for 'granny flat arrangements'. Broadly, these involve older Australians or people with disabilities transferring their home or the proceeds from the sale of their home (and/or other assets) to their adult children or other trusted persons in return for the promise of ongoing housing and care. Under this exemption, 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.



▪ Income Protection ▪ Life Insurance ▪ Total and Permanent Disability ▪ Trauma Cover ▪ Superannuation

PO Box 5429, Mermaid Waters Qld 4218  
Mobile: 0412 732 761 ▪ Email: [amanda@agentforlife.com.au](mailto:amanda@agentforlife.com.au)