

FEDERAL BUDGET 2020-2021

Last night Treasurer Josh Frydenberg announced large tax cuts and big spending plans during his second Federal Budget presentation. Natural disasters and the coronavirus pandemic made short work of last years promised budget surplus as the 2020-2021 Federal Budget will see the deficit reach \$213.7 billion. Net debt is now expected to reach \$703 billion this year and increase to \$966 billion by June 2024.

The focus of the budget is jobs and tax cuts to pull Australia out of the recession. Following is a summary of the major Federal Budget proposals:

Individual tax cuts

The second stage tax cuts announced during last year's budget is proposed to be brought forward two years and back-dated to 1 July.

The 19% tax bracket will increase from \$37,000 to \$45,000 and the 32.5% bracket from \$90,000 to \$120,000.

The low and middle income tax offset of \$1,080 will remain in place for the 2020/2021 financial year.

Business tax breaks

Business was a winner in the budget with various tax breaks proposed. Two large proposals for companies with a turnover of less than \$5 billion, were as follows:

- To encourage large investment, businesses will be allowed to write off the full cost of an eligible asset bought before 30 June, 2022 immediately rather than depreciating over several years.
- The loss carry-back plan will allow a business to claim a loss up to 30 June 2022 against profits made during or after the 2018-19 financial year to receive tax previously paid as a cash refund, as opposed to the usual opportunity to offset future profits with carried forward losses.

JobMaker Hiring Credit scheme

The latest edition to the 'Jobs' package. From today, eligible employers will be able to claim a credit for hiring individuals, on JobSeeker, Youth Allowance or the Parenting Payment, for at least a year. That credit will be \$200 a week for workers aged between 16-29 and \$100 a week for people aged between 30 and 35.

This proposal is expecting around 450,000 positions for young Australians at a cost of \$4 billion from 2020-21 to 2022-23.

Superannuation

To reduce multiple superannuation accounts, excessive fees and poorly performing funds the Government

announced the following superannuation measures:

- Superannuation accounts will no longer be created every time a worker changes jobs.
- By July 2021 Mysuper products will be required to meet an annual performance test and underperforming funds will be required to notify their members of their underperformance.
- An online comparison tool known as 'Your Super' will provide information on fees and returns.

Welfare spending

Age Pensioners and eligible welfare recipients will receive two \$250 cash payments – the first from December and the second from March.

However the \$250 coronavirus supplement added onto the current unemployment payment will end on December 31.

Aged Care

The Government has proposed a \$1.6 billion spend over the next four years to increase the available home care packages by 23,000 to give older Australians the option to keep living at home rather than entering an Aged Care facility.

First home buyer's scheme

The first home buyer scheme will be increased to assist up to a further 10,000 first home buyers to obtain a loan to build a new home or buy a newly built home with a deposit of at least 5%. The purchase cap will also be lifted from \$750,000 to \$950,000 dependent on the state and area.

Infrastructure spending

Including the infrastructure spending already announced since the start of the COVID-19 pandemic, the Budget will see \$14 billion spent on new and fast-tracked infrastructure projects to help lift the economy out of the pandemic including 'use-it-or-lose-it' payments to states for infrastructure projects to encourage the quick deployment of the funds.

Get in touch

If you would like to discuss the 2020-2021 Federal Budget further please do not hesitate to contact your adviser.



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