LANTERI PARTNERS GROUP
WEALTH MANAGEMENT

Here for the future…

October 2020

Federal Budget 2020-21

We all understand that budgets are an exercise in predicting the future. Given what has happened in 2020, gazing into the crystal ball and extracting something reliable is fraught with difficulty.

The Treasury has given its best estimate, but we also need to appreciate that budgets are usually never 100% on target — that's the nature of budgets. The question is, by how much? It will be remembered as Australia's biggest spending budget with a forecast deficit of $214 billion for the 2021 fiscal year.

The big news for business is the temporary full expensing of capital assets. From now until 30 June 2022, businesses with turnover up to $5 billion will be able to deduct the full cost of eligible depreciable assets of any value in the year they are installed.

continued overleaf ⇨

About this newsletter

We are very proud to announce our monthly Newsletter!! It is intended for you, our clients, as well as future clients of Lanteri Partners Group. You will be informed on the latest news and announcements regarding changes to legislation mainly within financial planning and wealth management industry. Each issue will have significant contributors including our Managing Director, Michael Lanteri and other key individuals who are specialists in their areas of expertise. We hope you find this newsletter of great value. Thank you.

Federal Budget 2020-21 *cont*

As expected, the adjustments to tax rates that were originally due for implementation in the year ending 30 June 2023 have been brought forward to apply from 1 July 2020. Below is a table of the new tax rates.

The third stage of the tax cuts which are to apply from 1 July 2024 will still apply from that date. Additionally:

- The Low and Middle Income Tax Offset (LMITO) will be retained for the 2020-21 income year.
- The Low Income Tax Offset (LITO) will increase from $445 to $700. The increased LITO will be withdrawn at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000. The LITO will then be withdrawn at a rate of 1.5 cents per dollar between taxable incomes of $45,000 and $66,667.

BUSINESS

FBT exemption to support retraining and reskilling

The Government will introduce an exemption from the 47% fringe benefits tax (FBT) for retraining and reskilling benefits provided by employers to redundant, or soon-to-be redundant, employees where the benefits may not be related to their current employment.

Currently FBT is payable where an employer provides training to redundant or soon-to-be redundant employees and that training does not have sufficient connection to their current employment. This measure will provide an FBT exemption for a broader range of retraining and reskilling benefits, incentivising employers to retrain redundant employees to prepare them for their next job.

Reducing the FBT compliance burden of record keeping

In a most welcome move, the Government will provide the Commissioner of Taxation with the power to allow employers to rely on existing corporate records, rather than employee declarations and other prescribed records, to finalise their fringe benefits tax (FBT) returns.

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Individual tax rates for residents

2020–21; 2021–22; 2022–23; 2023–24 tax thresholds		
Taxable income	Rate (%)	Tax on this income
$0 – $18,200	0	Nil
$18,201 – $45,000	19	19c for each $1 over $18,200
$45,001 – $120,000	32.5	$5,092 plus 32.5c for each $1 over $45,000
$120,001 – $180,000	37	$29,467 plus 37c for each $1 over $120,000
$180,001 +	45	$51,667 plus 45c for each $1 over $180,000

Federal Budget 2020-21: Business *cont*

Increase to small business entity turnover threshold

The Government will expand access to a range of small business tax concessions by increasing the small business entity turnover threshold for these concessions from $10 million to $50 million.

Businesses with an aggregated annual turnover of $10 million or more but less than $50 million will, for the first time, have access to up to 10 further small business tax concessions in three phases:

- From 1 July 2020, eligible businesses will be able to immediately deduct certain start-up expenses and certain prepaid expenditure.
- From 1 April 2021, eligible businesses will be exempt from the 47% fringe benefits tax on car parking and multiple work-related portable electronic devices (such as phones or laptops) provided to employees. This concession already exists in the FBT law but now multiple work-related items can benefit from the concession.
- From 1 July 2021, eligible businesses will be able to access the simplified trading stock rules, remit pay as you go (PAYG) instalments based on GDP adjusted notional tax, and settle excise duty and excise-equivalent customs duty monthly on eligible goods under the small business entity concession.
- Eligible businesses will also have a two-year amendment period apply to income tax assessments for income years starting from 1 July 2021, excluding entities that have significant international tax dealings or particularly complex affairs.
- From 1 July 2021, the Commissioner of Taxation's power to create a simplified accounting method determination for GST purposes will be expanded to apply to businesses below the $50 million aggregated annual turnover threshold.

R&D TAX INCENTIVE

For small companies – those with aggregated annual turnover of less than $20 million – the refundable R&D tax 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 larger companies – those with aggregated annual turnover of $20 million or more – the Government will reduce the number of intensity tiers from three to two. This will provide greater certainty for R&D investment while still rewarding those companies that commit a greater proportion of their business expenditure to R&D.

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 will be the claimant's company tax rate plus:

- 8.5 percentage points above the claimant's company tax rate for R&D expenditure between 0% and 2% R&D intensity for larger companies.
- 16.5 percentage points above the claimant's company tax rate for R&D expenditure above 2% R&D intensity for larger companies.

The Government will defer the start date so that all changes to the program apply to income years starting on or after 1 July 2021, to provide businesses with greater certainty as they navigate the economic impacts of the COVID-19 pandemic.

TEMPORARY "FULL EXPENSING" DEDUCTION FOR BUSINESSES

Businesses with aggregated annual turnover of less than $5 billion will be able to deduct the full cost of eligible capital assets acquired from 7:30pm AEDT 6 October 2020 (Budget night) and first used or installed by 30 June 2022.

"Full expensing" in the year of first use will apply to new depreciable assets and the cost of improvements to existing eligible assets. For small- and medium-sized businesses (with aggregated annual turnover of less than $50 million), full expensing also applies to second-hand assets.

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 existing instant asset write-off.
Businesses that hold assets eligible for the existing $150,000 instant asset write-off will have an extra six months, until 30 June 2021, to first use or install those 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 the income year while full expensing applies. The provisions that prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out will continue to be suspended.

CORPORATE RESIDENCY TEST TO BE CLARIFIED

The Government will make technical amendments to clarify the corporate 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". This 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.

TEMPORARY LOSS CARRY-BACK

The Government will allow eligible companies 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.

Under these measures, corporate tax entities with an aggregated turnover of less than $5 billion can apply tax losses against taxed profits in a previous year, generating a refundable tax offset in the year in which the loss is made.

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

The tax refund will be available on an election basis by eligible businesses when they lodge their 2020-21 and 2021-22 tax returns. Companies that do not elect to carry back losses under this measure can still carry losses forward as normal.

VICTORIA'S BUSINESS SUPPORT GRANTS TO BE NANE

The Federal Government will make the Victorian Government's business support grants for small- and medium-sized business – as announced on 13 September 2020 – non-assessable, non-exempt (NANE) income for tax purposes.

The Federal Government 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-sized businesses that are facing similar circumstances to Victorian businesses.

The Government will introduce a new power in the income tax laws to make regulations to ensure that specified state and territory COVID-19 business support grant payments are NANE income. Eligibility for this treatment will be limited to grants announced on or after 13 September 2020 and for payments made between 13 September 2020 and 30 June 2021.

SUPERANNUATION

Unintended superannuation accounts erode members' balances through unnecessary fees and insurance premiums. For the first time, Australians will automatically keep their superannuation fund when they change employers. "Stapling" the super fund to the employee will ensure that their super follows them when they change jobs, stopping the creation of unintended multiple accounts.

Commencing 1 July 2021, the Your Future, Your Super package will improve the superannuation system by:

- Having your superannuation follow you; preventing the creation of unintended multiple superannuation accounts when employees change jobs.
- Making it easier to choose a better fund; members will have access to a new interactive online YourSuper comparison tool which will encourage funds to compete harder for members' savings.
- Holding funds to account for underperformance; 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. Persistently underperforming products will be prevented from taking on new members.
- Increasing transparency and accountability; the Government will increase trustee accountability by strengthening their obligations to ensure trustees only act in the best financial interests of members. The Government will also require superannuation funds to provide better information regarding how they manage and spend members' money in advance of Annual Members' Meetings.

HOUSING

First home buyers

An additional 10,000 first home buyers will be able to purchase a new home sooner under the extension to the First Home Loan Deposit Scheme. The additional 10,000 places will be provided in 2020-21. This will allow first home buyers to secure a loan to build a new home or purchase a newly built dwelling with a deposit of as little as 5%, with the Government guaranteeing up to 15% of a loan.

Boost for housing supply

The Government will increase its guarantee of the National Housing Finance and Investment Corporation (NHFIC) by $1 billion, enabling NHFIC to increase its bond issuance into the wholesale capital market.

Exempting granny flat arrangements from CGT

A targeted capital gains tax (CGT) exemption for granny flat arrangements will be provided where there is a formal written agreement. The exemption will apply to arrangements with older Australians or those with a disability.

This measure arises from concerns that the current CGT rules impede the creation of formal and legally enforceable granny flat arrangements. It's aimed at removing these CGT impediments and reducing the risk of abuse to vulnerable older Australians. However, the proposed measures 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.

EMPLOYMENT AND TRAINING

JobMaker Hiring Credit

A new JobMaker Hiring Credit scheme will be available to employers from 7 October 2020 for each new job they create over the next 12 months for which they hire an eligible young person. For each eligible employee, employers will receive for up to 12 months:

- $200 a week if they hire an eligible young person aged 16 to 29 years; or
- $100 a week if they hire an eligible young person aged 30 to 35 years.

Eligible young job seekers will have received JobSeeker Payment, Youth Allowance (other) or Parenting Payment for at least one of the previous three months at the time of hiring. Employers must demonstrate that they have increased their overall employment to receive this payment for up to 12 months for each position created. To claim the JobMaker Hiring Credit, employers need to report their employees' payroll information to the ATO through Single Touch Payroll.

JobTrainer

The $1 billion JobTrainer Fund matches funding between the Commonwealth and state and territory governments. The fund will support up to 340,700 additional free or low-fee training places in areas of genuine need.

Adding to the $2.8 billion Supporting Apprentices and Trainees Wage Subsidy, which supports existing apprentices and trainees through to 31 March 2021, the Government is adding a further $1.2 billion in a Boosting Apprenticeships Wage Subsidy, which will support up to 100,000 new apprentices and trainees by paying a 50% wage subsidy, up to a cap of $7,000 per quarter, for commencing apprentices and trainees at businesses of all sizes, in all industries. But it runs out 30 September 2021.

Regional recovery and tourism

The Government will invest over $250 million for a Regional Tourism Recovery Package. Regional communities will see $200 million in grants through the Building Better Regions Fund, with $100 million of the fund earmarked for tourism-related infrastructure projects that will boost regional tourism.

Tourism regions particularly hard hit by the international border closures, like Tropical North Queensland and Tasmania, will benefit from $51 million over two years to attract domestic visitors. Also $100 million over two years will go towards Regional Recovery Partnerships to coordinate investments with other levels of government and support recovery, diversification and growth in 10 regions across Australia such as the Snowy Mountains, Kangaroo Island, and the Hunter.

A commitment of $50.3 million will go towards expanding the Rural Health Multidisciplinary Training Program and investing in increased training and infrastructure for the rural health workforce. Capability on the ground will also be improved through $5.7 million in new support for Building Resilient Regional leaders.

To make sure primary producers can get their high-quality perishable products into overseas markets while flights remain limited, the Government is providing an additional $317 million to the International Freight Assistance Mechanism.

To aid farmers, $156 million over four years will help them recover from the current drought and prepare for future droughts. This includes $19.6 million to extend the National Drought and North Queensland Flood Response and Recovery Agency for another year. It will also provide a further $2 billion in drought concessional loans.

The Government is also providing targeted support to the fishing and forestry industries by waiving $10 million of fees on Australia's fishing industry, and $25 million to haul salvaged logs to timber mills that survived the bushfires.

The Government will provide $17.4 million to expand the Relocation Assistance to Take Up a Job Program, including for those who temporarily relocate to take up agriculture work.

MANUFACTURING

The Modern Manufacturing Strategy will see $1.3 billion go to the Modern Manufacturing Initiative. With this funding, the Government will co-invest with leading manufacturers to help them achieve scale, commercialise world-leading research, and connect to international markets. Another $107 million is to be directed at a Supply Chain Resilience Initiative to identify and address supply chain vulnerabilities.

Small and medium manufacturers can access $52.8 million in a second round of the Manufacturing Modernisation Fund. This will help manufacturers scale-up, invest in new technologies, create and maintain jobs and upskill their workers. A further $50 million is being provided to Industry Growth Centres to deliver immediate support to manufacturing priority industries.

ENVIRONMENT

The Government is banning the export of waste plastic, paper, tyres and glass. It will invest $249.6 million over four years to modernise recycling infrastructure, reduce waste and recycle more. This includes a $190 million Recycling Modernisation Fund, which will invest in new infrastructure to sort and recycle plastic, paper, tyres and glass waste. Another $47.4 million will be dedicated to protect marine health.

HEALTH AND FAMILIES

The Government has invested $3.2 billion in personal protective equipment (PPE) and it is also providing $112 million for the continuation of Medicare-rebated telehealth services for GP, allied health and specialist consultations to ensure ongoing access to essential health services.

It is providing an additional $746.3 million to support senior Australians in aged care, workers and providers to respond to the COVID-19 pandemic. This includes $245 million for a COVID-19 Support Payment to assist providers with additional costs and $205.1 million for the Workforce Retention Bonus Payment for frontline aged care workers.

Further support for older Australians who wish to stay at home for longer will be provided through $1.6 billion for an additional 23,000 home care packages across all package levels.

Additional funding will provide access to an extra 10 Medicare-subsidised psychological therapy sessions for people with a mental health care plan.

Funding for the National Disability Insurance Scheme (NDIS) has been guaranteed, as the Government is providing a further $3.9 billion to the NDIS.

Funding of $102 million over four years from 2020-21 for veteran mental health and well-being initiatives includes:

- $94.3 million to improve mental health outcomes and ensure high-quality care for our older veterans and their families by increasing fees paid to mental health, social work and community nursing providers
- $7.4 million to expand Open Arms counselling services and the Coordinated Veterans' Care program.

The Government will invest $453 million to extend the National Partnership Agreement on Universal Access to Early Childhood Education until the end of 2021. In 2020-21, it will pay approximately $9 billion in the means-tested Child Care Subsidy payments. ■

2020-21 Budget

Major payments initiatives and their underlying cash balance impact from 2020 to 2024

$15,600 million

JobKeeper extension

$6,744 million

Infrastructure Investment - states and territories

$4,000 million

JobMaker Hiring Credit

$26,700 million

Temporary full expensing to support investment and jobs

$17,830 million

Bringing forward the Personal Income Tax Plan and retaining the low and middle income tax offset

$4,854 million

Temporary loss carry-back to support cash flow