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2020 Budget Bites
Financial Services

6 October 2020

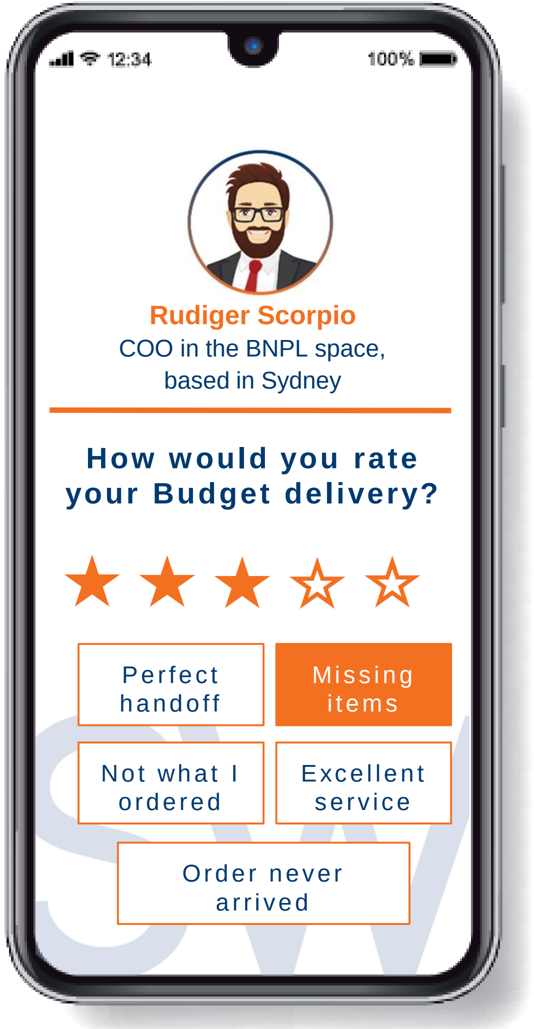
The primary focus of the Budget is economic support for industries impacted by COVID-19. The financial services industry has not been hit as hard as some industries and has received limited targeted support in this Budget.

Key takeaways

- Fund managers hoping to attract foreign investors will have a slightly easier task with the expansion of the list of Exchange of Information (EoI) countries. From 1 July 2021 investors in Hong Kong and others will be added to the list of EoI countries. This means the Managed Investment Trust (MIT) withholding rate will reduce to 15% from 30% on certain distributions.
- The previously announced amendment relating to removing the capital gains discount at the trust level for MIT and Attribution MITs has been deferred from 1 July 2020 to after the legislation receives royal assent.
- New responsible lending measures will be introduced to reduce the red tape associated with borrowing to better streamline consumer lending.
- An expansion of Instant asset write off will apply to businesses with aggregated global turnover of less than $5 billion. Such businesses will get an immediate tax deduction for the cost of depreciating assets.
- Companies with aggregated global turnover of less than $5 billion can elect to carry back losses from 2020, 2021 and 2022 income year to 2019 or later income year and receive a refund of tax previously paid.
- The government will establish an online comparison tool called YourSuper. This will provide greater choice to consumers and superannuation accounts will be 'stapled' to an individual to prevent duplication of account upon changing employer.
- APRA will conduct benchmarking tests on the net investment performance of MySuper products. Any MySuper product that underperforms the benchmark over two consecutive years prohibited from receiving new members until it outperforms the benchmark.

Opportunities for growth and stability

- Businesses thinking of making significant capital expenditure can benefit from the immediate asset write off equal to the cost of certain assets.
- Losses made in this or subsequent years can be offset against past profits which will help business smooth the tax costs across years of volatility in profit
- Investors in Hong Kong have been subject to a comparably higher tax rate on managed fund distributions for some time. The change coming on 1 July 2021 will level the playing field and potentially help unlock additional investment flows into Australia.



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Did the Budget deliver what you ordered?

The financial services industry has continued to perform relatively strongly during COVID-19 pandemic, particularly with the growth in the buy-now, pay-later sector. However, business in the financial services sector that have struggled will be better off if they are able to access the benefits of the expansion of the instant asset write off and the new loss carry back rules.

It has been an extraordinary year of upheaval as the nation grapples with the effects of COVID-19 and we recognise that everyone has been impacted in different ways. Reach out to our experts below for assistance navigating the implications and opportunities this Budget presents for you, your business and your industry.

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