

2020 Budget Bites

Major Revenue Measures



Key takeaways and impact to you and your business

Loss carry-back

The Government will allow companies with aggregated global turnover less than \$5bn 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.

Asset write-off

For eligible depreciating assets acquired from 7:30pm AEDT on 6 October 2020 and first used or installed by 30 June 2022, businesses will be able to 'write-off' the full value of the asset they purchase for their business. This will be available for businesses with a turnover of up to **\$5bn** until June 2022.

Corporate residency test to be clarified

The Government will make technical amendments to clarify the corporate residency test. It will amend the law 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. This will restore the corporate residency test to its previous state prior to the Bywater Case and the ATO's withdrawal of **TR 2004/15**.

Research & Development

For companies with aggregated annual turnover of less than \$20 million, the refundable R&D tax offset will be set at 18.5 percentage points above the claimant's company tax rate, and the **\$4m** cap on annual cash refunds will **not** proceed. For companies with aggregated annual turnover of **\$20m** or more, the Government will reduce the number of intensity tiers from 3 to 2.

JobMaker hiring credit

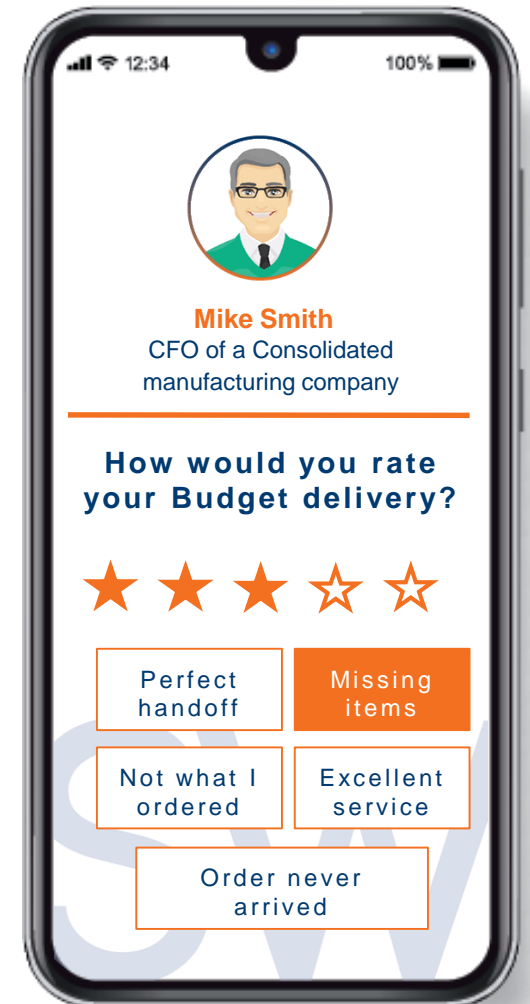
The Government announced a new JobMaker hiring credit to encourage businesses to hire younger Australians. The JobMaker hiring credit will be payable for up to 12 months and immediately available to employers who hire those on JobSeeker aged 16-35. It will be paid at the rate of \$200 per week for those aged under 30, and \$100 per week for those aged between 30-35. New hires must work for at least 20 hours a week. All businesses, other than the major banks, will be eligible.

New apprenticeships

The Government has committed to creating 100,000 new apprenticeships while also providing a subsidy for remuneration of new apprentices and trainees.

Personal income tax cuts

- Bring forward of the second stage of the personal tax cuts by 2 years to 1 July 2020, lifting the 19% threshold from \$37,000 to \$45,000, and lifting the 32.5% threshold from \$90,000 to \$120,000. At the same time, the low and middle income tax offset) will be retained for 2020-21.
- The Stage 3 personal income tax cuts remain unchanged and will commence in 2024-25 as already legislated.



Confirmed in the Budget

- Expanded access to a range of small business tax concessions (eg start-up expenses, FBT exemptions on car parking, access to simplified trading stock rules) by increasing the small business entity turnover threshold for these concessions from **\$10m to \$50m**.
- 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 ATO will have the power to allow employers to rely on existing corporate records, rather than employee declarations and other prescribed records, to finalise their FBT returns.
- The Victorian Government's business support grants for SMEs will be non-assessable non-exempt (NANE) income for tax purposes.

Did the Budget deliver what you ordered?

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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