

2020 Budget Bites SMEs & Individuals



Personal Tax Cuts, Investment Incentives & Small Business Concessions

Key takeaways

Bring forward of the Personal Income Tax Plan to 1 July 2020:

- The top threshold of 19% tax bracket will increase from \$37,000 to \$45,000
- The top threshold of 32.5% tax bracket will increase from \$90,000 to \$120,000
- Stage 3 of the Personal Income Tax Plan remains unchanged and will commence in 2024 – 2025.

Tax offset for 2021:

- The low income tax offset will increase from \$445 to \$700 from 1 July 2020
- The low and middle tax offset will be retained for 2020 – 2021 and will provide a reduction in tax of up to \$1,080.

Temporary loss carry-back

- Companies with aggregated turnover of less than \$5bn can elect to apply tax losses from the 2019-20, 2020-21 or 2021-22 years against taxed profits in 2018-19 or later income years. The refund will be available when lodging their 2020-21 and 2021-22 tax returns.

Small business tax concessions

- Businesses with an aggregated annual turnover of \$10m or more but less than \$50m will, for the first time, have access to up to 10 further small business tax concessions in three phases (including car parking FBT exemption effective 1 April 2021).

Full expensing of capital assets

- Businesses with aggregated annual turnover of less than \$5bn can deduct the full cost of eligible capital assets acquired from 7:30pm AEDT on 6 October 2020 and first used or installed by 30 June 2022. This will also apply to the cost of improvements to existing eligible assets.
- Small businesses (with aggregated annual turnover of less than \$10m) can deduct the balance of their simplified depreciation pool at the end of the income year while full expensing applies.

Business support grants to be NANE income

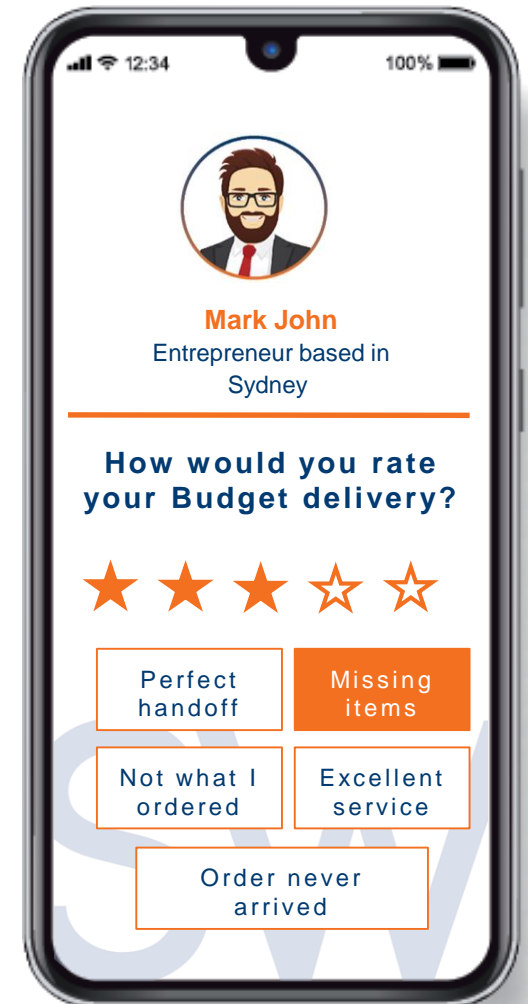
- The Victorian Government's business support grants for small and medium business as announced on 13 September 2020 to be treated as non-assessable, non-exempt (NANE) income for tax purposes.
- This arrangement will be extended to all States and Territories on an application basis.

Division 7A changes start date

- Confirmation the start date for the previously announced changes to Division 7A, revised from 1 July 2020 to the income year commencing on or after that date of Royal Assent on the enabling legislation.

ATO compliance funding

- \$305.9m of additional funding to the ATO over four years from 2020-21 for compliance activities on the next phase of the JobKeeper payment and the JobMaker Hiring Credit.



Opportunities for growth and stability

- Purchase of new capital assets to expand your business
- Review opportunities for new or expanded incentives such as JobMaker, the R&D Tax Offset and FBT exemption on retraining and reskilling employees
- Use of tax losses to reclaim tax paid in previous years of taxable profit
- Opportunity to review employee packages with more FBT exemptions
- Ensure documentation for JobKeeper is compliant.

Did the Budget deliver what you ordered?

Not many new measures announced on budget night in addition to what had already been announced pre budget, unfortunately. Possible missed opportunities would include an extension of the ATO Cash Flow Boost program, which was a real winner with eligible businesses.

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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