

Market Wrap

2020 Federal Budget – Special Edition

On Tuesday 6 October, Treasurer Josh Frydenberg handed down the 2020 Federal Budget, which was one of the most eagerly anticipated Budgets in recent memory given the economic impacts felt across the country in the wake of the ongoing COVID-19 situation.

Some described it as the most important Budget since World War II, given the rising levels of national debt and unemployment that we have witnessed in the past eight months. Naturally, there was an eagerness to see the Government's response to Australia's first recession in 30 years.

The numbers

Some of the key numbers announced include:

- Deficit to peak at \$213.7 billion in 2020/21
- Net debt to peak at \$966.2 billion in 2023/24
- \$7.5 billion for major infrastructure projects
- Income tax cuts for 11.5 million Australians
- Real GDP to fall 1.5% in 2020/21
- Unemployment to reach 7.25% in 2020/21

Income tax relief for individuals

Over 11 million individuals will receive an income tax cut in 2020/21.

The previously announced 'Stage 2' tax cuts have been brought forward from their original commencement date in the 2022/23 financial year. In 2020/21, low- and middle-income earners will receive tax relief of up to \$2,745 for singles, and up to \$5,490 for dual income families, compared with 2017/18 tax rates. These tax cuts will be backdated to 1 July 2020 and are expected to be legislated and come into effect in the coming weeks.

The Government will also provide additional targeted support to low and middle-income earners with a one-off additional benefit from the low- and middle-

income tax offset (LMITO) in 2020/21. The one-off additional LMITO is worth up to \$1,080 for individuals or \$2,160 for dual income couples. Around 10.1 million individuals will be eligible for the offset in 2020/21. The LMITO was due to be removed with the commencement of Stage 2, but this one-off additional payment will be available in 2020/21.

Instant full value asset write-off for business and temporary loss carry back

From 7:30pm (AEDT) on 6 October 2020 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. The cost of improvements to existing eligible depreciable assets made during this period can also be fully deducted.

The Government will also allow companies with turnover up to \$5 billion to offset losses against previous profits on which tax has been paid, to generate a refund.

Losses incurred up to 2021-22 can be carried back against profits made in or after 2018-19. Eligible companies may elect to receive a tax refund when they lodge their 2020-21 and 2021-22 tax returns.

Small business tax concessions

Around 20,000 small to medium businesses will access up to ten small business tax concessions for the first time. This includes immediate deductions for eligible start-up expenses, exemption from the 47% fringe benefits tax on car parking provided to employees, exemption from the 47 per cent fringe benefits tax on multiple work-related portable electronic devices (e.g. phones or laptops) provided to employees.

JobMaker Hiring Credit

The JobMaker Hiring Credit will be available to employers for each new job they create over the next 12 months for which they hire an eligible young person, aged 16 to 35 years old.

From 7 October 2020, eligible employers will be able to claim \$200 a week for each additional eligible employee they hire aged 16 to 29 and \$100 a week for each additional eligible employee aged 30 to 35.

Supporting Pensioners

The Government will provide two additional Economic Support Payments of \$250 to pensioners and other eligible recipients. These two one-off payments will take place in December, and then again in March 2021.

Extension to the First Home Loan Deposit Scheme

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 to support the purchase of a new home or a newly built home. 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.

Home care packages

A further 23,000 home care packages will be available to address important aged care services. 2,000 of the packages are at level four - the highest level of care, 8,000 at level three, 8,000 at level two and 5,000 at level one (basic needs).

Securing Australia's water supply

An investment of \$2 billion for new projects under the National Water Infrastructure Development Fund will support the next generation of water infrastructure.

A further \$50 million to build on-farm dams, tanks and troughs will also help create jobs in rural communities impacted by recent droughts and economic downturn as a result of COVID-19.

Superannuation reforms

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.

A new online comparison tool called 'YourSuper' will help people compare the performance of MySuper products and make it easy to choose a fund.

Funds that continue to underperform will no longer be allowed to receive new members until their performance improves.

Supporting you

We can help with any additional information you might require about the 2020 Budget and what the announcements might mean for your financial situation. You can also access a number of [dedicated fact sheets](#) which contain more information about each of the Budget measures. Speak to us if you have any questions.

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