



Personal Income Tax Changes

Changes to personal income tax rates that were due to apply from 1 July 2022 will be brought forward to 1 July 2020. As a result, from 1 July 2020:

- the Low Income Tax Offset (LITO) will increase from \$445 to \$700. The increased LITO will be reduced at a rate of 5 cents per dollar for taxpayers that have taxable incomes between \$37,500 and \$45,000. The LITO will then be reduced at a rate of 1.5 cents per dollar for taxpayers that have taxable incomes between \$45,000 and \$66,667
- the upper threshold of the 19% tax rate will increase from \$37,000 to \$45,000, and
- the upper threshold of the 32.5% tax rate will increase from \$90,000 to \$120,000

The Low and Middle Income Tax Offset (LMITO) of up to a maximum of \$1,080, will continue to apply for the 2021 income year.

Depreciable Asset Changes

Immediate Write-Off New Rules from 6 October

Businesses with an 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 on 6 October 2020 and first used or installed by 30 June 2022

- For businesses with an annual turnover of \$50 million or more, the immediate tax deduction will only apply to **new** depreciable assets and the cost of improvements to existing eligible assets
- For businesses with an annual turnover of less than \$50 million, the immediate tax deduction will apply to both **new** and **second-hand assets**

Immediate Write Off Changes to Existing Rules

Businesses with an 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 enhanced instant asset write-off measure. The period in which such assets must be first used or installed ready for use has been extended by six months to 30 June 2021.

Write Off of Pool Balance

Businesses with an aggregated annual turnover of less than \$10 million can deduct the balance of their simplified depreciation pool at the end of the income year.

The provisions which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out will continue to be suspended.

Temporary Loss Carry-Back for Companies

Companies with an aggregated annual turnover of less than \$5 billion will be able to carry back tax losses from 2019-20, 2020-21 or 2021-22 income years to offset previously taxed profits in the 2018-19 or later income years.

Eligible corporate tax entities can elect to apply tax losses against taxed profit in a previous year, generating a **refundable tax offset** in the year in which the loss is made. The tax refund is limited by requiring that the amount carried back is not more than the earlier taxed profit, and cannot result in a franking account deficit.

The tax refund will be available on election by eligible companies when they lodge their 2020 -21 and 2021-22 income tax returns.

Expanding Access to Small Business Tax Concessions

Access to a range of small business tax concessions will be expanded by increasing the small business entity turnover threshold for up to 10 concessions from \$10 million to \$50 million.

The expanded concessions will apply over three phases:

- From 1 July 2020, eligible businesses will be able to immediately deduct certain start-up expenses and certain pre-paid expenditure
- From 1 April 2021, eligible businesses will be exempt from the 47% FBT on car parking and multiple work related portable electronic devices, such as phones or laptops provided to employees
- From 1 July 2021: eligible businesses will:
 - be able to access the simplified trading stock rules that do not require annual stocktakes or to account for changes in trading stock values
 - remit PAYG instalments based on GDP adjusted notional tax
 - if they are a brewer or distiller, be able to report and pay excise duty and excise equivalent customs duty monthly on eligible goods, rather than weekly
 - be exposed to a reduced two year (currently four year) tax assessment amendment period
 - ATO will have the power to create a simplified accounting method for GST purposes

FBT Changes

Car Parking

The current FBT exemption for small business car parking fringe benefits will be expanded to include businesses with an aggregated annual turnover between \$10 million to \$50 million.

From 1 April 2021, eligible businesses will be exempt from FBT on car parking if the car parking is not provided in a commercial car park, where aggregated turnover is less than \$50 million.

Employer Provided Retraining

From 2 October 2020, an FBT exemption will be available for certain employer-provided retraining and reskilling where it is provided to redundant or soon to be redundant employees where the benefits may not be related to their current employment.

JobMaker Hiring Credit

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 years old and \$100 a week for each additional eligible employee aged 30 to 35 years old. New jobs created until 6 October 2021 will attract the credit for up to 12 months from the date the new position is created.

Eligible employees are required to work a minimum of 20 hours per week and receive the JobSeeker Payment, Youth Allowance (other) or Parenting Payment for at least one month out of the three months prior to when they are hired.

The JobMaker Hiring Credit will be claimed quarterly in arrears by the employer from the ATO from 1 February 2021. The credit is capped at \$10,400 for each additional new position created and employers need to demonstrate an increase in overall employee headcount and payroll.

Certain employers are excluded, including those who are claiming the JobKeeper payment. New employers created after 30 September 2020 are not eligible for the first employee hired but are (potentially) eligible for the second and subsequent eligible hires.

Apprenticeships Wage Subsidy

From 5 October 2020 to 30 September 2021, businesses of any size will be able to claim a new Boosting Apprentices Wage Subsidy for new apprentices or trainees who commence during this period.

Eligible businesses will be reimbursed up to 50% of an apprentice or trainee's wages worth up to \$7,000 per quarter, capped at 100,000 places.

\$250 Economic Support Payments

Two separate one-off Economic Support Payments of \$250 to individuals receiving eligible income support payments or concession cards will be paid progressively from December 2020 and March 2021.

Eligible individuals must be in receipt of the following payments as at 27 November 2020 and/or 26 February 2021:

- Age Pension (including Age Pension (Blind))
- Carer Allowance*
- Carer Payment
- Commonwealth Seniors Health Card
- Disability Support Pension (including Disability Support Pension (Blind))
- Double Orphan Pension*
- DVA Gold Card
- DVA Payments
- DVA Seniors Card
- Family Tax Benefit (fortnightly recipients)*
- Family Tax Benefit (lump sum recipients)*
- Pensioner Concession Card (PCC) holders (covers non-income and asset test PCC holders and customers who have an extended entitlement to a PCC even though their payment has stopped)

* if they are not receiving a primary income support payment.

Youth Allowance and ABSTUDY independence test

There will be a temporary change to the criteria used to determine independence for Youth Allowance and ABSTUDY.

The independence test is important as young people who are considered independent from their parents are not subject to the Parental Income Test.

There are a number of ways of meeting the independence test; however, a common method is to meet the workforce participation criteria which require young people to work 30 hours per week for at least 18 months within a two-year period.

Under this temporary measure, from 1 January 2021 all Youth Allowance and ABSTUDY applicants will automatically be deemed to have worked over the six-month period from 25 March 2020 to 24 September 2020.