Claringbold.

Federal Budget 2020/21

General Advice Warning

The information contained in this document is general in nature and does not take into account your personal situation. You should consider whether the information is appropriate to your needs, and where appropriate, seek professional advice from a financial adviser.

Taxation, Centrelink, legal and other matters referred to in this document are of a general nature only and are based on Claringbold's interpretation of the federal budget announcement and should not be relied upon in place of appropriate professional advice.

Some budget announcements are subject to legislation and may not be enacted.

Superannuation

Superannuation – Your Future, Your Super

There are a number of measures announced in the Budget that have been grouped under the label 'Your Future, Your Super' including those outlined below.

Fund stapling

Currently, employees who don't advise their employer of their choice of super fund are allocated a default super fund by their employer each time they start working for a new employer. Under the fund stapling proposal, once a member has a super fund and they change jobs, their new employer will contribute to the employee's existing fund.

Employees will still be able to advise their employer to make contributions to a different fund.

Employers will obtain the details of the employee's existing fund from the Australian Taxation Office (ATO) electronically when a new employee starts.

An employer will only pay the employee's superannuation contributions to the employer's nominated default fund if the new employee doesn't have an existing superannuation account and doesn't advise the employer of a different fund.

This measure is intended to be effective from 1 July 2021.

Claringbold Comment

This is was one of the recommendations from the Hayne Royal Commission. It is designed to eliminate the problem of multiple superannuation funds being created when people have multiple jobs or change employers.

YourSuper comparison tool

The ATO will develop systems that are designed to assist individuals to select a super fund from a table of MySuper products through a new interactive, online 'YourSuper' comparison tool.

The YourSuper tool will provide a table of MySuper products which are ranked by fees and investment returns and provide links to fund websites so members can research and choose a suitable MySuper product.

The tool will also display all current super funds held by the individual and will prompt them to consider consolidating their accounts where multiple funds exist.

This measure is intended to be effective from 1 July 2021.

Claringbold Comment

MySuper products were originally legislated to provide limited investment choices and low fees for holders of small balances. The comparison tool will further assist people to consolidate their superannuation accounts and reduce the overall cost.

Expense disclosure

Super fund trustees will be required to comply with a new duty to act in the best financial interests of members. Funds will be required to demonstrate that their actions, and how they manage and spend the fund's money, are consistent with members' best financial interests.

Trustees will need to provide members with key information regarding the management of fund expenses in advance of annual members' meetings.

This measure is intended to be effective from 1 July 2021.

Claringbold Comment

Another throwback to the Hayne Royal Commission where trustees were questioned about their decision making. This probably won't change the decision making process of trustees, but it will require them to improve their record keeping to include the reasons why their decisions are in the 'best interests' of members.

APRA benchmarking

MySuper products will be subject to an annual performance test conducted by the Australian Prudential Regulation Authority (APRA). If APRA determines that a fund is deemed to be underperforming, it will need to advise members of the underperformance.

When a fund advises members about the underperformance they will also be required to provide members with information about the YourSuper comparison tool.

Underperforming funds will be listed as underperforming on the YourSuper comparison tool until their performance improves. If a fund fails two consecutive annual underperformance tests it will not be permitted to accept new members until APRA determines that its performance has improved to a satisfactory level.

Funding for the benchmarking is proposed to be met through an increase in APRA levies.

This measure is proposed to commence from 1 July 2021 and funds will need to commence reporting underperformance to members by 1 October 2021.

APRA annual performance benchmarking is proposed to be extended to other super products that don't offer investment choice by 1 July 2022.

Claringbold Comment

MySuper funds are currently compared to index benchmarks by APRA. The data is freely available via APRA's website.

The requirement for funds to notify members of underperformance is, in part, due to the apathetic nature of Australian's. This reporting will hopefully encourage members to look more closely at their superannuation and make informed decisions that will improve their outcomes.

Combatting organised crime

The Government is committing $15.1 million in additional funding to address serious and organised crime in the tax and superannuation system. The funding will be provided to the ATO for three years from the 2021/22 financial year.

Claringbold Comment

Cybercrime has increased substantially across the globe during the Covid-19 period. This also had an impact on the 'early access to super', which saw members funds being paid to criminals.

This measure is likely part of the federal governments increased spending to defend our nation against cyber-attacks by other nations.

Social Security & Aged Care

$250 economic support payments

Two tax-free economic support payments of $250 each will be paid to individuals in receipt of certain government income support and health care card holders including the:

- Age Pension
- Disability Support Pension
- Carer Payment
- Carer Allowance
- Family Tax Benefit
- Double orphan pension
- Commonwealth Seniors Health Card
- Pensioner Concession Card
- Eligible Veterans' Affairs payment recipients and concession card holders.

Payments will be made from November 2020 and go into early 2021.

Aged care support for older Australians

From 2020/21 the Government will provide the following support for elderly and disabled Australians:

- the release of 23,000 additional home care packages across all package levels
- the replacement of the current 'Commonwealth Continuity of Support Programme' with a new 'Disability Support for Older Australians'.

Claringbold Comment

Aged Care packages are hard to come by with waiting times up to 12 months, and 100,000 Australian's waiting for their packages to be funded. The additional funding is welcome, but there'll still be a long waiting list.

The Royal Commission into Aged Care Quality and Safety will bring further changes to this sector.

Extending mobility allowance relief

Mobility allowance is a benefit available to individuals who need to travel for work, look for work or undertake study but cannot use public transport without assistance because of their disability, illness or injury. For some individuals, the payment of the mobility allowance is based on the individual undertaking a certain number of hours of work or volunteering, or meeting their mutual obligation requirements for social security payments.

As a result of the COVID-19 pandemic, relief was provided to allow individuals to continue to qualify for mobility allowance even if they could not complete the required hours or activities. This relief was due to expire 25 September 2020, but has been extended to 31 December 2020.

DVA Disability Pensions

Exemption for rent assistance and income support payments

A number of changes will be made to the DVA Disability Pension including:

- exempted from the Social Security Act income test
- exempted from the calculation of rent assistance under the Veterans Entitlement Act
- renamed Disability Compensation Payment.

These measures are to be staggered between 1 July 2021 and 20 Sept 2022.

Claringbold Comment

Under current rules, those who receive a reduction in social security payments due to the inclusion of the DVA Disability Pension under the income test, receive a payment called DFISA (Defence Force Income Support Allowance).

The proposal to exempt the DVA Disability Pension from the social security income test means the DFISA can be abolished as it is no longer required.

Incentives to encourage young Australians to undertake seasonal work

To encourage younger individuals to help our farmers with seasonal work such as fruit picking, the Government is proposing the introduction of a temporary pathway for young people who currently receive Youth Allowance (Student) or ABSTUDY.

The measure will allow them to qualify as 'independent' for the purpose of assessing their benefit. This means that otherwise dependent individuals (generally children under age 22) receiving these benefits would not have their entitlements reduced if their parent's income is over $54,667 pa.

The proposal would allow an individual to be considered independent if they earn at least $15,000 in the agricultural industry between 30 November 2020 and 31 December 2021, and they currently meet parental income testing requirements.

Claringbold Comment

Australia is heading towards a fresh food shortage on certain product because of a lack of pickers. Covid-19 has prevented the fruit picking tourists from their usual working holidays.

This is a great incentive to aid our farmers and help prevent the loss of produce that rots before it can be harvested, and to provide work for younger Australians.

Tax

Bringing-forward income tax cuts

From 1 July 2020, the low income tax offset (LITO) and the thresholds for the 19% and 32.5% personal income tax brackets are proposed to increase. This means the tax cuts legislated to occur from 1 July 2022 (Stage 2 of the Government's Personal Income Tax Plan) will commence two years early.

Stage 3 of the Personal Income Tax Plan remains unchanged and commences in 2024/25 as legislated.

Increasing thresholds – 1 July 2020

At present, clients do not start paying 19% tax until their income reaches $37,000 pa. This threshold will increase to $45,000 pa. In addition, clients will not start paying 32.5% tax until their income reaches

$120,000 pa instead of the current threshold of $90,000 pa.

Proposed Tax Schedules

Tax Rate	2020/2021	From 1 July 2021	From 1 July 2024
Nil	0 - $18,200	0 - $18,200	0 - $18,200
19.0%	$18,201 - $45,000	$18,201 - $45,000	$18,201 - $45,000
30.0%	-	-	$45,001 - $200,000
32.5%	$45,001 - $120,000	$45,001 - $120,000	-
37.0%	$120,001 - $180,000	$120,001 - $180,000	-
45.0%	$180,000+	$180,000+	$200,000+

Tax offsets – 1 July 2020

The LITO will increase from $445 to $700 from 1 July 2020. The Government has not brought forward all the changes as per Stage 2 of the tax plan.

The low to middle income tax offset (LMITO) will be retained in the 2020/21 financial year. The Government does not intend on retaining LMITO in the 2021/22 financial year. Under current legislation it is set to end in the 2022/23 financial year.

Capital gains tax exemption for granny flat arrangements

From 1 July 2021 a capital gains tax (CGT) exemption will be introduced for formal, written granny flat arrangements that are created, varied or terminated.

Granny flat arrangements are arrangements where a person, usually an elderly or disabled person, pays for a right to accommodation for the remainder of their life in another person's property, usually a family member. Under existing law, a CGT event occurs when a legally enforceable right is created and the CGT liability falls on the person (eg the family member) who grants the right. However, no CGT event arises for informal, unwritten granny flat arrangements.

Given that the value of granny flat arrangements may be substantial, the potential liability for CGT under the existing law can deter families from entering formal, legally enforceable, written agreements.

The changes will only apply to agreements that are entered into because of family relationships or other personal ties and will not apply to commercial arrangements.

Claringbold Comment

Elder abuse is on the rise and this change will help older Australians formalise their arrangements without risk of financial impact on their loved ones.

Other Proposed Tax Changes

Other tax changes announced in the budget include:

- Carry back tax losses,
- Full deduction for capital asset expenditure,
- Expanded access to small business tax concessions,
- Fringe benefits tax exemption for employer-provided training,

For more information on these items please contact us, or speak with your accountant.

Employment

Jobmaker Hiring Credit

The JobMaker Hiring Credit will be available to eligible employers for each additional new job they create for an eligible employee. Eligible employers must demonstrate that the new employee will increase:

- the overall employee headcount from the reference date of 30 September 2020; and
- the payroll of the business for the reporting period, as compared to the three months to 30 September 2020.

Eligible employers will receive $200 per week for each eligible employee they hire aged 16 to 29 years or $100 per week for each eligible employee they hire aged 30 to 35 years.

The JobMaker Hiring Credit will be available for up to 12 months from the date of employment of the eligible employee.

To be eligible for the JobMaker Hiring Credit, the employer cannot be receiving another Commonwealth wage subsidy program for the same employee.

Eligible employees

To be an eligible employee, the employee must:

- be aged 16 to 35
- have worked at least 20 paid hours per week on average for the full weeks they were employed over the reporting period
- commenced their employment between 7 October 2020 and 6 October 2021
- have received the JobSeeker Payment, Youth Allowance (Other), or Parenting Payment for at least one month within the past three months before they were hired
- be in their first year of employment with this employer, reflecting that the hiring credit is only available for 12 months for each additional job, and
- must be employed for the period that the employer is claiming for them. Employees may be employed on a permanent, casual or fixed term basis.

NOTE: An employer cannot receive the JobKeeper Payment and the JobMaker Hiring Credit at the same time.

JobMaker plan – boosting apprenticeships wage subsidy

From 5 October 2020 to 30 September 2021, businesses of any size can claim the new boosting apprentices wage subsidy for new apprentices or trainees who commence during this period.

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

JobMaker plan – driving jobs through housing

The First Home Loan Deposit Scheme will be extended to provide an additional 10,000 guarantees in 2020/21 to allow eligible first home buyers to build a new home or purchase a newly constructed home sooner with a deposit of as little as 5 per cent.

Pandemic Leave Disaster Payment

One-off payments of $1,500 will be made to eligible workers in States that have agreed to partner with the Commonwealth under the Pandemic Leave Disaster Payment arrangements.

The Commonwealth will refund the States and Territories for any payments made to workers on temporary visas.

Paid Parental Leave work test

The Paid Parental Leave work test required for births and adoptions that occur between 22 March 2020 and 31 March 2021 will reduce the number of months parents need to work from 10 of the last 13 months to 10 of the last 20 months.

Claringbold Comment

The federal government is providing incentives for employers to employ and for those that are employed to maintain jobs and income.