

FEDERAL BUDGET 2020: THE FISCAL FIREPOWER TO FIGHT BACK



CATHERINE CHIVERS
Senior Manager - Strategic Advice
06/10/2020

“The great depression and two World Wars did not bring Australia to its knees and neither will COVID-19” – Josh Frydenberg, 2020-2021 Federal Budget Speech

This piece has been authored by Catherine Chivers, Senior Manager Strategic Advice at Perpetual Private, Alison Carrapetta, Manager - Operational Risk & Compliance at Perpetual and Saul Bernstein, Compliance Manager at Perpetual.

SUMMARY

SUPERANNUATION

TAX

SOCIAL SECURITY AND NDIS

AGED CARE

It is important to remember that this material relates to proposals which have not yet been legislated, and our analysis contained here should be viewed in that context. We recommend that you do not take any specific action until the Government provides greater detail in relevant draft legislation.

SUMMARY

Treasurer Frydenberg handed down his second Federal Budget on 6 October 2020, one unarguably like no other in recent memory. With a backdrop of a COVID-induced recession, this year's Federal Budget measures are guided by values; those that recognise personal reward, the power of aspiration and reward for ambition so that... 'every sector, every corner of the country will benefit'.

The 2020 Federal Budget represents a collective kaleidoscope of measures, intricately woven together to perform the herculean task of lifting the Australian economy out of its darkest economic days since the Great Depression.

This year's Federal Budget also signals a return to focussing on core policy topics that further lay a foundation for continued overall economic stability, additional job creation initiatives and a pledge to sustain key essential services such as health and aged care, education/training and infrastructure.

In line with the uncertain geo-political context, addressing national security matters feature as another expected measure. Environmental concerns are also front of mind for policymakers with significant sums dedicated to that objective. Furthermore, much needed support for farming communities adversely affected by the recent drought, bushfires and floods will also be provided.

Additionally, measures encouraging businesses and the tax system to adapt to our irrevocably changed economic environment have been proposed.

Increases to welfare spending, job creation initiatives for younger Australians and support for the aged care sector and NDIS will provide a valuable financial boost to the most vulnerable segments of Australian society.

SUPERANNUATION

Measures proposed will enable new employees to select their preferred superannuation fund via a new portal to be administered by the Australian Taxation Office, with this initiative aiming to minimise the incidence of duplicate superannuation accounts.

The concept of 'stapled superannuation' will mean that an existing superannuation account will effectively follow a member through the employment changes occurring throughout their working life, avoiding undue account proliferation.

The start date for increasing the maximum number of members in a Self Managed Superannuation Fund (SMSF) from four to six members will also be deferred from 1 July 2019, to now be the future date the relevant Bill receives Royal Assent.

What does this mean for you?

- There will be less opportunity for you to accrue multiple superannuation accounts, which may be helpful to minimise unnecessary fees and charges.
- If you're considering restructuring your fund to have six members you will need to defer your plans until the relevant Bill passes both Houses of Parliament and becomes operable law.

TAX

Tax cuts

Tax cuts outlined in last year's Budget which were to commence from 1 July 2022 will be brought forward to now operate retrospectively from 1 July 2020. This will mean the 19% marginal tax rate will increase from \$37,000 to \$45,000; with the 32.5% bracket increasing from \$90,000 to \$120,000.

Additionally, increases to the small business entity turnover threshold will enable enhanced access to a range of small business tax concessions.

What does this mean for you?

- The increase in the personal income tax brackets, may result in additional surplus cashflow which can be directed towards other investments or as additional contributions to superannuation.
- The increases to the small business entity turnover threshold will assist businesses that may have encountered difficulty in obtaining finance to acquire new tools, plant and equipment. This is a welcome change given the recent tightening of borrowing conditions of the banks.
- Such businesses should find it easier to afford these acquisitions, given the immediate tax benefit they will now receive.

This is anticipated to provide additional support for growth in these businesses.

CGT exemptions for granny flats

A targeted capital gains tax exemption is proposed for granny flat arrangements where a formal written agreement exists. This exemption will be applied to arrangements concerning older Australians, as well as those with a disability, from 1 July 2021.

The policy intention of this measure is centred around minimising the incidence of financial abuse and exploitation of vulnerable Australians which can arise due to informal arrangements existing in the context of family relationship breakdowns.

What does this mean for you?

- If you're considering entering a granny flat arrangement you should have an additional impetus to execute a formal agreement between yourself and your family member/s.
- Where you currently have an informal arrangement in place, you may wish to now consider opting for a formal agreement in order to access future taxation concessions.

SOCIAL SECURITY AND NDIS

Two separate \$250 economic support payments will be made later in 2020 and again in early 2021 to health care card holders plus recipients of the Age Pension, Disability Support Pension and Carer Payment.

The National Disability Insurance Agency and National Disability Insurance Scheme ('NDIS') will receive an additional \$798.8 million over four years, from this financial year onwards.

The funding is intended to support all eligible participants with permanent disability and will play a significant role in regulating National Disability Insurance Scheme providers; ultimately improving service quality, safety and compliance into the disability services sector.

What does this mean for you?

- These measures will be of interest to individuals and family members of individuals with a permanent disability, enabling additional cash support to meet living expenses and can likely expect to receive a more enhanced service from the NDIS.

AGED CARE

The Government proposes to make available an additional 23,000 Home Care Packages across all package levels over the next four years. A new disability support program for older Australians is also proposed to provide for those with disability who are otherwise ineligible for NDIS support.

Funding will also be provided to establish a network of case co-ordinators, who will assist younger people in residential aged care (or those at risk of entering residential aged care) to access more age appropriate support/accommodation.

The Government also intends to provide improved access to at-home palliative and end-life care, allowing those approaching the end of their life to spend their remaining time in their home, should they have the desire to do so.

What does this mean for you?

- The possibility of easier access to specialist services for older and ill Australians, is an area well overdue for consideration by policymakers.
- Gives terminally ill individuals the ability to traverse the end of their life with dignity and in a manner of their choosing; which would have been previously inaccessible for many.

HOW WILL THE BUDGET AFFECT YOUR FINANCIAL SITUATION?

A Perpetual financial adviser can help you assess how the Budget could affect you and your family.

Perpetual Private advice and services are provided by Perpetual Trustee Company Limited (PTCo) ABN 42 000 001 007, AFSL 236643.

This information has been prepared by PTCo. It contains general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial or other adviser, whether the information is suitable for your circumstances. The tax information contained in this document is not tax advice and should not be relied on as such. This information, including any assumptions and conclusions, is not intended to be a comprehensive statement of relevant practice or law that is often complex and can change. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. To view the Perpetual Group's Financial Services Guide, please [click here](#).