



2020 Federal Budget - What It Means for You

To kickstart the economy after Australia's massive COVID-19 close down, the Federal Government has released a huge spending and tax cuts Budget for 2020.

Here is our summary of the 2020 Federal Budget and what it means for you.

- This appears to be a great Budget for the young, anyone still working and business owners. Self-funded retirees receive nothing directly – but if the share market improves due to this budget stimulus then they should receive a nice gain over the next 12 months.
- The massive Government spending, tax cuts and wages subsidies will lead to higher spending throughout the economy and great business investment.
- This pushes up confidence and job creation and more economic growth. This puts company revenue and profits on a steroids program – and share prices go up.

There are a number of key areas we would like to make you aware of.

Individuals

Personal Tax Cuts

In an attempt to kick start the economy, the Government is introducing tax cuts totalling \$50 billion backdated to 1 July 2020.

There are 2 key parts to it. An offset which will get paid in a lump sum after July next year when you lodge your 2021 Tax Return, and an immediate reduction in the tax taken from your wages as soon as this legislation passes Parliament.

In both cases there is nothing you need to do and no extra forms to fill out at tax time – the adjustments will happen automatically.

Here's what tax cuts you'll get:

Taxable (\$)	2019-2020	2020-21		
	Tax Liability (\$)	Tax Liability (\$)	Change in Tax	
			(\$)	(%)
40,000	4,467	3,887	-580	-12.9
60,000	11,067	9,987	-1,080	-9.8
80,000	18,067	16,987	-1,080	-6.0
100,000	25,717	24,187	-1,530	-5.9
120,000	34,117	31,687	-2,430	-7.1

140,000	42,097	39,667	-2,430	-5.8
160,000	49,897	47,467	-2,430	-4.9
180,000	57,697	55,267	-2,430	-4.2
200,000	67,097	64,667	-2,430	-3.6

The average teacher's wage is around \$90,000, so a couple who both teach can expect a tax cut of up to \$3,060. That's massive! The big question is if people will spend these tax cuts or reduce their home mortgages and save them.

\$250 Economic Support Payments

A payment of \$250 in December 2020 and another payment of \$250 in March 2021 will be made to individuals receiving Age or other pensions and health care card holders. These payments will be exempt from tax and will not count as income support for any income support payments.

Superannuation – “Stapling” of Accounts

This is something that really makes sense. Under this measure, an individual's super account will be “stapled” to them as they change jobs. New super accounts will no longer be automatically created every time someone starts a new job.

Capital Gains Tax removed from “Granny Flats”

Currently, there is a risk of capital gains tax (CGT) applying if you sell your family home and if you have entered into a formal granny flat arrangement with an elderly parent or relative. The Budget has now included a measure where CGT will not apply to this.

NEXT STEPS

If you have any questions about how the 2020 Federal Budget affects you – please contact our office and one of our expert accountants will help you.

We look forward to assisting you!

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