



2020 Federal Budget - What It Means for Your Business - Part 2

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.

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

Tax Loss "Carry Back"

If your business is making losses now because of the COVID-19 recession, you can get a tax refund out of the taxes you have paid on profits going back to the 2019 year. And you can use the "carry back loss" trick for the 2021 and 2022 financial years.

Specifically, a company can carry back losses from the 2020, 2021 and 2022 financial years to offset previously taxed profits in the 2019, 2020 and 2021 financial years.

However, this only applies to companies. Sole traders, partnerships and trusts won't be able to access this benefit.

This tax refund will be available as a choice to be made when a company lodges its 2021 and 2022 Tax Returns.

Immediate Asset Write Off

The Government wants businesses to spend big. This measure allows businesses with a turnover of less than \$5 billion to claim a full up-front tax deduction for the cost of new business assets. There is no cost cap with this measure – it is not limited like the previous \$150,000 instant asset write off that is in place until 31 December 2020.

This applies to the purchase of capital assets from 6 October 2020 and first used or installed by 30 June 2022.

This means that if you buy a new truck for \$60,000, then you get a 100% tax deduction in year one.

Important: Remember, this does NOT mean that you get \$60,000 in tax back. You effectively save tax at your marginal tax rate. So, a company with a 26% tax rate will save \$15,600 in tax if they buy a \$60,000 truck.

For businesses with a turnover under \$50 million, this also applies to secondhand assets.

Small Business Pooling – Immediate Write Off

Small business entities that have a turnover of less than \$10 million using the simplified depreciation rules can claim as an expense the balance of their simplified depreciation pool at the end of the 2021 year.

This is great because it gives business owners a tax deduction for the full amount of non-depreciated assets they have purchased in prior years.

JobMaker Hiring Credit

The JobMaker hiring credit will be available to eligible employers over 12 months from 7 October 2020 for each additional new job they create for an eligible employee.

Employers will receive \$200 a week for hiring someone aged 16 to 29 and \$100 a week for taking on someone aged 30 to 35.

The JobMaker hiring credit will be paid quarterly in arrears and will be available for 12 months from the date of employment with a maximum amount of \$10,400 per additional new position created.

To be eligible, the employee will need to have worked for a minimum of 20 hours per week averaged over a quarter, and have received the JobSeeker Payment, Youth Allowance or Parenting Payment for at least one month out of the three months prior to when they are employed.

Employers will need to prove that the new employee will increase overall employee headcount and payroll.

Boosting Apprenticeship Commencements

A business that takes on a new or recommencing Australian apprentice will be eligible for a 50% wage subsidy. The subsidy is paid in arrears and is available for wages paid from 5 October 2020 to 30 September 2021, up to a maximum amount of \$7,000 per quarter.

FBT Changes

A number of FBT changes have been announced, including removal of FBT on car parking and portable electronic devices from 1 April 2021, and on retraining and reskilling costs for employees from 2 October 2020.

R&D Tax Incentive Changes

The Government has backflipped on previously proposed cuts to research and development tax incentives.

For small companies (turnover less than \$20 million) the refundable R&D tax offset will be set at 18.5% above the company tax rate and there won't be any cap on annual cash refunds.

The R&D laws are quite complex, so please feel free to contact us for further information if R&D is something that your business would like to claim.

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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