KordaMentha

Federal Budget 2020/21 Business Tax Changes

6 October 2020

Temporary Loss Carry Back Measures

Corporate tax entities with an aggregated turnover of less than $5 billion that incur an income tax loss in the 30 June 2020, 2021 or 2022 income tax years may carry back that loss and apply it against previously taxed profits of the 30 June 2019 or later income years.

The loss carry back is able to generate 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 profits and that the carry back does not generate a franking account deficit.

Companies that do not elect to carry back losses under this measure can still carry losses forward as normal.

Temporary Instant Asset write-off

Business with aggregated annual turnover of less than $5 billion will be able to deduct the full cost of eligible capital assets of any value acquired from 7.30pm AEDT on 6 October 2020 and first used or installed by 30 June 2022.

Businesses with aggregated annual turnover between $50 million and $500 million can still deduct the full cost of eligible secondhand assets costing less than $150,000 that are purchased by 31 December 2020 under the current enhanced instant asset write-off. Businesses that hold assets eligible for the enhanced $150,000 instant asset write off will have an extra six months, until 30 June 2021 to first use or install those assets for use.

It is unclear whether businesses with aggregated turnover between $500 million to $5 billion will be able to claim the instant asset write off on secondhand assets as the budget announcement is silent on this group of businesses or whether the write off will apply at all to secondhand assets acquired after 31 December 2020.

Businesses with aggregated turnover of less than $10 million can deduct the balance of their simplified depreciation pool (STS pool) at the end of the income year while the full expensing applies. The provisions that prevent small business from re-entering the simplified depreciation regime for five years if they opt out will continue to be suspended.

In principle, it appears that the temporary instant asset write off will allow corporate tax entities to acquire capital assets and instal ready for use by 30 June 2022 to the point where the deduction places the company in a loss position. That loss can then be carried back and claimed against income tax paid in the 2019 or later income tax years.

Victorian Government Business Support Grant classified as non-assessable, non-exempt income

The Victorian Government Business Support Grant extension (3rd tranche of the Grant) announced on 13 September 2020 will be classified as non-assessable, non-exempt (NANE) income for tax purposes. This differs to the tax treatment applicable to the first two tranches of the Victorian Government Business Support Grants. The first two tranches of the Grant continue to be considered taxable income of the recipient business.

The Government may extend the arrangement to support payments made by other States and Territories provided after 13 September 2020.

Expanding Access to Small Business Entity Tax Concessions to businesses with a turnover of between $10m and less than $50m

The following taxation concessions will now be available to business entities with a turnover of between $10m and less than $50m effective from the start dates noted in the table.

Tax Concession	Description
From 1 July 2020	
Immediate deductions for start-up costs and prepaid business expenses	An immediate write-off is available for certain start-up capital expenses. We expect those expenses to include the costs of creating a trust, incorporating a corporate trustee or registering a business name. An immediate tax deduction is available for prepaid business expenses if the eligible service period is 12 months or less.
Lower corporate tax rate	Currently 26% provided 20% or more of the turnover is from non-passive income or from capital gains.
From 1 April 2021	
FBT Exemptions	The Car Parking fringe benefits exemption applied to car parking provided to employees. The current FBT Exemption does not apply to commercial car parking station fees. The budget announcement is silent on whether the exemption will be limited to the current FBT exemption or whether it will be extended to commercial car parking stations fees as well. Multiple work-related portable devices per year such as phones, laptops provided to employees are considered exempt.
From 1 July 2021	
PAYG instalments based on GDP-adjusted notional tax	PAYG instalments are based on GDP-adjusted notional tax, which removes the risk of incurring penalties from under-estimating or over-estimating PAYG instalments
Two-year amendment period	The time limit for reviewing an assessment is two years excluding entities that have significant international tax dealings or with particularly complex tax affairs which was not defined in budget announcement.
Simplified Trading stock rules	Choice not to do an end of year stocktake if the value of stock changes by less than $5,000.
Excise duty and excise-equivalent duty	Settle Excise and Excise-equivalent duty monthly on eligible goods.
GST Simplified Accounting Method	The Commissioner can determine simplified GST accounting methods where there is a mixed supply of GST Free or input tax and GST taxable supplies. Currently there is only one industry that has GST Simplified Accounting methods being Retailers who sell Food.

Fringe Benefits Tax Changes applicable to all taxpayers

Exemption for retraining, reskilling to redeploy employees to a different role in the business

From 2 October 2020, employer provided retraining and reskilling for employees who are redeployed to a different role in the business will be exempt from FBT. The training costs do not have to be connected with the employee's current role.

The exemption will not extend to retraining acquired by way of salary packaging arrangement or retraining provided through Commonwealth supported places at universities.

Reducing the compliance burden of record keeping

The Government will provide the Commissioner of Taxation the power to allow employers to rely on existing corporate records, rather than employee declarations and other prescribed records to finalise their Fringe Benefits Tax returns. The measure will have effect from the start of the FBT year, 1 April after the legislation has received Royal Assent.

Wage subsidy of up to $7,000 per quarter for new apprentices or trainees

From 5 October 2020 up to 30 September 2021, businesses that employ a new or recommencing Australian apprentice or trainee will be eligible for a 50% wage subsidy regardless of geographic location, occupation, industry or business size.

The subsidy is capped at $7,000 per quarter ($28,000 per annum) and will be available for the first 100,000 apprentices employed by all Australian businesses eligible for the subsidy.

Job Maker Hiring Credits up to $200 per week per employee to accelerate youth employment

From 7 October 2020 eligible employers, who are not receiving JobKeeper payments, may be able to claim $200 per week for each additional eligible employee hired for a new position aged 16 to 29 at the time of start date of their employment and $100 per week for each additional eligible employee aged 30 -35.

The key criteria are:

- the employee must have received JobSeeker, Youth Allowance or the parenting payment in one of the three months prior to employment.
- The new position must increase total employee headcount and payroll for the reporting period compared to the three months ending 30 September 2020.
- The credits are only available to employers using Single Touch Payroll (STP) and have all ATO lodgment obligations up to date.
- The new employee must work on average 20 paid hours per week for the full weeks they are employed over the reporting period.

Registration of new employees is open from 7 October 2020 to 7 October 2021. The Job Maker Hiring Scheme credit may be claimed by the eligible employer from 1 February 2021 for new jobs created for the period 7 October 2020 to 6 January 2021. The claim must be submitted within 3 months after the opening of the claims period. The credit is paid quarterly in arrears for 12 months from the date of employment.