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**** FOR IMMEDIATE RELEASE****

TSA hopeful that budget big spending will pay off despite uncertainty ahead

Tax & Super Australia (TSA) welcomes record spending in the Federal Government's 2020 budget in a bid to drive a jobs recovery and help Australians move forward from the economic impacts of COVID-19.

Individuals

TSA tax counsel John Jeffreys said extensions to the tax rate thresholds would give millions of taxpayers on lower incomes a much-needed boost after a very challenging year. "As the Treasurer noted, this means those earning \$40,000 will pay 20% less tax and those earning \$80,000 will pay around 11% less. And then there are those who will benefit from the Lower- and Middle-Income Tax Offset being extended for another year."

However, Mr Jeffreys noted that the Treasurer's description of these tax cuts as a "part of a major structural reform to our tax system" that will see around 95 per cent of taxpayers face a marginal tax rate of no more than 30 cents in the dollar in 2024-25 was promising — but there are many other measures that will be required for true structural tax reform.

Businesses

Mr Jeffreys said the budget made for very compelling reading for businesses due to significant tax concessions and changes. "The temporary full expensing of capital assets sets a new mark. Yet this benefit will be limited to those businesses that are back operating at a good capacity and do have enough capital to buy these assets. The willingness of banks to lend for this purpose will be critical."

Many businesses would seek to use the temporary loss carry-back measures that allow companies with turnover of up to \$5 billion to offset losses against previous profits on which tax has been paid. "However, many small businesses are not run through companies — they are run through trusts, partnerships and as a sole trader," Mr Jeffreys said. "Why has the Government chosen to restrict the loss carry back rules to companies? This will disadvantage those who do not run their small business through a company."

Meanwhile, increasing the small business entity threshold from \$10 million to \$50 million is a significant and unexpected measure that will be beneficial to about 20,000 businesses. While changes to the research and development tax incentive will deliver more value to those companies claiming the concession.

Superannuation

TSA welcomes measures intended to reduce unnecessary fees and insurance costs on superannuation accounts. "The move to 'staple' superannuation to an employee so it follows them throughout their careers should remove some administrative burden for members," Mr Jeffreys said. However, the detail of how these measures operate will be important and we look forward to seeing them in time."

General comments

Without wanting to dampen good tax news for millions of Australians and thousands of businesses, TSA recognises that the full impact of budget measures are assumed on Australia experiencing best-case scenarios next year, including the continued easing of lockdown restrictions and a coronavirus vaccine becoming available.

“We have to be optimistic that the Treasurer’s big spending does pay off and lead to the jobs and economy recovery that Australians so desperately need. Taxpayers, businesses and job seekers will certainly be hoping that the spending fully realises its intended impact.”

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About Tax & Super Australia Tax & Super Australia (TSA) is a not-for-profit organisation that provides practical tax, super and accounting information for about 3,600 members and a broader tax community of more than 15,000 people. It is based in Melbourne but has members all over Australia. Most of its members are tax agents, accountants and super professionals.

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