

Federal Budget 2020 summary

The Treasurer said:

“The budget is all about jobs” so there are big benefits for small to medium businesses particularly the health sector.

With your return to consulting and surgery back to a more normal routine, the incremental backlog of work and ever-growing waiting lists will keep you extraordinarily busy and this will translate into opportunities for job growth.

Key budget announcements include:

tax cuts

The government will bring forward the income tax cuts for most income brackets scheduled for 2022 to 1st of July 2020. Tax relief will benefit all doctors, particularly HMOs' and residents earning \$48,000 - \$90,000 and lesser between \$90,000 - \$126,000.

The backdated tax cuts will be introduced in two stages:

- Stage 1:** from 1 January 2021, the reduced tax rates will kick in and
- Stage 2:** from 1 July to 2020 to 31 December 2020, a refund of tax will automatically apply upon lodgement of your 2021 tax return.

New tax scales for 2020-21 to 2023-24

rate (%)	thresholds	tax savings
0	\$0 - \$18,200	
19	\$18,201 - \$45,000	Up to \$1,080
32.5	\$45,001 - \$120,000	Up to \$2,430
37	\$120,001 - \$180,000	Up to \$2,430
45	\$180,001+	Up to \$2,430

tax scales from 2024-25

rate (%)	thresholds	tax savings
0	\$0 - \$18,200	
19	\$18,201 - \$45,000	Up to \$225
30	\$45,001 - \$200,000	Up to \$11,505
45	\$200,001+	Up to \$11,505

immediate asset write-off

From budget night, the immediate deduction of assets acquired and first used or installed by 30th of June 2022 are eligible for expensing. For example, all medical and office equipment including software will be available for an immediate tax write off, reducing your taxable income.

state government grants

The government will amend the tax law to make the Victorian government business support grants for small and medium businesses non assessable and exempt for income tax purposes. Other states may optionally request to participate. This is great news for all medical practice clients who have received the Victorian support grant.

temporary carry back losses

From 1 July 2020, companies can carry back losses in each of 2019/20, 2020/21 and 2021/22 tax years against any profits in 2018/19 or later years. The carry-back will give rise to cash refunds of tax previously paid upon lodgement of the company's 2021 tax return.

Warning:

Carry back losses should not apply to medical incorporations (drs working under a company structure) as ordinarily profits & losses are expensed as wages to the doctors. Should there be instances to the contrary, we would ask that you discuss this anomaly with your accountant.

JobMaker

Eligibility requires that new jobs must be created from 7 October 2020 and 6 October 2021. The subsidies will be available to newly created jobs at the rate of \$200 a week for each additional eligible employee aged 16 to 29 years and \$100 a week aged 30 to 35 years. Employers will be able to register for the scheme from December 7, 2020, via the ATO website.

Note: The main requirement for the new employees is that they must have been receiving one of these three forms of welfare in the three months before they were hired:

- JobSeeker, Youth Allowance (Other) and the Parenting Payment.
- They must also be working at least 20 hours a week on average in their new jobs
- As for the requirements on businesses, they cannot be claiming the JobKeeper payment if they want to take part in JobMaker (no double dipping).

granny flats

The Treasurer announced that the government will amend tax law to provide a capital gains tax exemption for granny flat arrangements whether it is a formal written agreement or otherwise. The change will only apply to agreements that are entered into because of family relationships or other personal ties and will not apply to commercial rental arrangements. This is such a relief to all that your home will be free of capital gains tax should you have a granny flat arrangement in place.

government boost to first home buyers

The scheme enables first home buyers to get into the market with a deposit as low as 5% while avoiding lender's mortgage insurance as the federal government will act as guarantor.

For those AMAV members looking to invest in their first home, the Victorian price caps seen below are \$850,000 and \$550,000 respectively.

extended first home loan deposit scheme price caps		
state/territory	capital city/regional centre	rest of state
NSW	\$950,000	\$600,000
VIC	\$850,000	\$550,000
QLD	\$650,000	\$500,000
WA	\$550,000	\$400,000
SA	\$550,000	\$400,000
TAS	\$550,000	\$400,000
ACT	\$600,000	N/A
NT	\$550,000	N/A

Jim Tsirtsakis BBus (Acc), DipFP, CFP® FIPA FFA, CTA, Cert.IV FMB
 Director | Bongiorno Group

dsirtsakis@bongiorno.com.au

03 9863 3111