# Federal Budget Report
# 2020 - 2021

## Business Tax Incentives
## and
## International Tax

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## Business tax incentives

The Government will support businesses to invest, grow and create more jobs through targeted tax incentives.

### Temporary full expensing

**Effective 6 October 2020**
Businesses with aggregated annual turnover below the relevant threshold will be able to deduct the full cost of eligible capital assets acquired from 7:30pm AEDT on 6 October 2020 (Budget night) and first used or installed by 30 June 2022.

- Full expensing in the year of first use will apply to **new depreciable assets** and the cost of improvements to existing eligible assets for businesses with aggregated annual turnover of less than $5 billion.
- Full expensing also applies to **second-hand assets** for small and medium-sized businesses with aggregated annual turnover of less than $50 million.

Full expensing does not apply to second-hand assets for businesses with aggregated annual turnover of $50 million or more.

### Enhanced instant asset writing-off

**First used and installed 30 June 2021**
Business with aggregated annual turnover between $50 million and $500 million can still deduct the full cost of eligible second-hand assets costing less than $150,000 that are purchased by 31 December 2020 under the existing expanded instant asset write-off measure.

The existing enhanced instant asset write-off measure requires an eligible asset to be first used or installed by 31 December 2020 to qualify. The Government announced that 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.

### Temporary loss carry-back

**Effective from 2019-20**
Under the existing rules, companies are required to carry losses forward to offset profits in future years.
The Government has announced that it will allow companies with aggregated annual turnover of less than $5 billion to carry back tax losses from 2019-20, 2020-21 or 2021-22 income years to offset previously taxed profits in the 2018-19 or later income years.

Eligible corporate tax entities can elect to apply tax losses against taxed profit in a previous year, generating 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 profit, and cannot result in a franking account deficit.

The tax refund will be available on election by eligible companies when they lodge their 2020 -21 and 2021-22 tax returns.

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

### Increasing the small business entity turnover threshold to access certain tax concessions

**Measures staggered from 1 July 2020**
The Government will expand access to a range of small business tax concessions by increasing the small business entity turnover threshold for these concessions from $10 million to $50 million. Businesses with an aggregated annual turnover of $10 million or more, but less than $50 million, will for the first time have access to up to 10 further small business tax concessions in three phases:

- From 1 July 2020, eligible businesses will be able to immediately deduct certain start-up expenses and certain prepaid expenditure.
- From 1 April 2021, eligible businesses will be exempt from the 47% fringe benefits tax on car parking and multiple work-related portable electronic devices (such as phones or laptops) provided to employees.
- From 1 July 2021, eligible businesses will be able to:
  - access the simplified trading stock rules;
  - remit pay as you go (PAYG) instalments based on GDP-adjusted notional tax;
  - settle excise duty and excise-equivalent customs duty monthly on eligible goods under the small business entity concession;
  - have a two-year amendment period apply to income tax assessments for income years starting from this date.

In addition, from 1 July 2021, the ATO will have the power to create a simplified accounting method determination for GST purposes for these businesses.

## *International tax*

### Updating the list of exchange of information jurisdictions

**Effective 1 July 2021**
The Government will update the list of jurisdictions that have an effective information-sharing agreement with Australia. Residents of listed jurisdictions are eligible to access the reduced Managed Investment Trust (MIT) withholding tax rate of 15% on certain distributions, instead of the default rate of 30%. The updated list will be effective from 1 July 2021.

To be listed, jurisdictions must have established the legal relationship enabling them to share taxpayer information with Australia. This measure will add the Dominican Republic, Ecuador, El Salvador, Hong Kong, Jamaica, Kuwait, Morocco, North Macedonia and Serbia, and remove Kenya from the existing 122 jurisdictions on the list. These new jurisdictions have entered into information- sharing agreements since the previous update in 2019.