The bad news, good news, bad news budget.

The treasurer has brought down his budget, all be it 6 months later than normal and it is one of the friendliest budget's ever released.

The scary thing is why the budget had to be so friendly and how perilous the future could be.

The good news

There is something in this budget for everyone, the major new announcements are listed below (Jobkeeper, Jobseeker and early super access have been excluded).

Tax Payers in General

Beneficial changes to the marginal tax rates that were legislated to come into effect on 1 July 2022 are being brought forward to start from 1 July 2020. The new marginal tax rates will be:

Tax Rate	New Income Ranges	Tax Savings
0%	$0 - $18,200	$0 (No change)
19%	$18,201 - $45,000 (was $37,000)	Up to $1,080
32.5%	$45,001 - $120,000 (was $90,000)	Up to $1,350
37%	$120,001 - $180,000	$0 (No change)
45%	$180,001 +	$0 (No change)

While the savings will not show up in people's pay packets until the change has been passed by parliament, taxpayers should have something to look forward to at tax time.

Lower Income Earners

Not only are the 2022 tax rate changes being brought forward, the changes to the Low Income Tax Offset (LITO) are also being brought forward.

The tax offset increases from $445 to $700. Tax payers earning $37,500 or less will get the full $700 benefit; with the benefit being phase out (in two tiers) until income reaches $66,667.

The Low to Middle Income Tax Offset (LMITO) that was due to be abolished when the 2022 tax changes were introduced is being maintained for the current tax year. This provides an additional tax offset that starts at $225 (income below $37,000), increases to $1,080 (as income increases to $48,000) and then reduces as income exceeds $90,000, cutting out at income of $126,000.

Retirees

Indexation of the Age Pension occurs in March and September each year and it is linked to the rate of inflation. The COVID-19 crisis has actually led to deflation over the last 6 months meaning that there was no increase to Age Pensions in September.

To offset this, the government announced that 2 separate payments of $250, to be made in December 2020 and March 2021. To be eligible for the cash payments, in the preceding month you need to be in receipt of one of the following benefits:

- Age Pension
- Disability Support Pension
- Carer Payment
- Family Tax Benefit (including Double Orphan Pension)
- Carer Allowance
- Pensioner Concession Card holders
- Commonwealth Seniors Health Card holders
- eligible Veterans' Affairs payment recipients and concession card holders.

The payments will be exempt from tax and will not count as income support for the purposes of any income support payment.

The government also announced changes to the DVA Disability Pension that will implemented on a staggered basis between 1 July 2021 and 20 September 2022.

The DVA Disability Pension will be renamed to Disability Compensation Payment and become exempt when calculating income support payments and rent assistance.

On a different tangent, to provide protection for older Australian's the government is looking to introduce a CGT exemption for formal, legally binding, "granny flat" agreements.

The concept of a "granny flat" agreement is that when older Australians can no longer manage living at home, they "purchase a lifetime right to occupy" from a family member (usually a child).

The "granny flat" does not need to be a separate dwelling on the family member's land. For example, it can be a room/s in the child's house, or it can even be transferring title to their own home to the child who then moves in with them.

Provided that the "purchase price" is reasonable, Centrelink will allow a means test exemption for the value of the granny flat agreement.

The only problem is that the ATO treat the legally documented agreement as a Capital Gains Tax event. They believe that the child has disposed of an asset, being the right of sole use of the

property, and that the value of the asset is the value of the granny flat agreement less establishment costs.

This can mean a significant tax bill for the child, so most often the agreement is informal, which avoids the CGT issue and is generally acceptable to Centrelink.

What it does not do is provide security to the "granny", as there are no legal protections and in the event of family troubles, they can often end up homeless and with no recourse in relation to the amount paid for the "right to occupy".

The proposed exemption, which should come into force on 1 July 2021, would enable all "granny flat agreements" to be legally documented, protecting older Australians from "financial elder abuse" whilst maintaining Centrelink entitlements.

Businesses

As part of the original COVID stimulation measures put in place earlier this year, the government allowed small and medium business to write off 100% of assets purchased up to the end of December 2020. This write off was capped at $150,000.

The budget announced extensions to size of companies that could claim the write offs and removed the cap on write offs for all assets purchased from the date of the budget through to June 2022.

They further extended this benefit by allowing companies to claim back current year losses against tax paid in the previous years. Effectively, a business can write off assets beyond their current year income and claim the loss against profits earned as far back as the 2018/19 tax year, getting them an extra refund to help with cashflow.

Fringe Benefits Tax on training provided to redundant employees (or those soon to be) that does not relate to their current employment is also being removed; to enable people to be trained up for future jobs.

To enhance employment opportunities:

- For the next 12 months, the government will subsidise the wages of all new apprentices or trainees by 50% (up to $7,000 per quarter).
- Businesses may also be eligible to receive a Jobmaker credit for each additional employee (must be a net increase in head count) over the next 12 months.
    - The credit is payable for 12 months from the time the employee is taken on
    - The new employee needs to be working an average of 20 hours per week
    - Where the new employee is aged 16 to 29 the credit is $200 per week
    - Where the new employee is aged 30 to 35 the credit is $100 per week

Superannuation Holders
There has been no tinkering with super per se.

What the government did announce was the concept of stapling a person's super fund to them, so if they change jobs and do not nominate a fund to their new employer, the employer will be required to use the existing "stapled" fund.

This will stop people ending up with multiple funds and should reduce the fees they are paying.

This measure will be coupled with enhanced regulator oversight into the benchmarking and reporting of super fund performance. This will make it easier for super members to rate their super fund and could lead to a further consolidation in the number of different super funds that people have.

Funds with 2 consecutive years of under performance will be prevented from taking on new members, until such time as they are no longer underperforming.

The bad news – cause & effect

So why did the government feel the need to spread the largesse so thickly?

The COVID crisis has climbed onto the back of economies that were still fighting to recover from the effects of GFC.

Government debts are generally still very high (and rising), interest rates are still very low (with little room to go lower) and share prices are being forced up by the need to generate some income, a return that is not coming from cash and bonds.

Then in March and April, in an effort to stop the spread of COVID, the whole world shut down.

Whilst there are some pockets of recovery, there are also a lot of "2nd waves" starting to appear.

As much as our politicians don't want to admit it, in general, COVID is still in control.

As at the 12th of October:

- there were over 37.35 million reported active cases around the world;
- worldwide there has been 84 straight days with over 200,000 new reported cases;
- total deaths are over 1.07 million;
- 13 countries have more than 500,000 reported active cases;
- 25 countries have more than 200,000 reported active cases; and
- 40 countries have more than 100,000 reported active cases.

It is anyone's guess what the true numbers are.

Melbourne is still shut down to contain an outbreak and protect the hospitals from being overrun, the AFL grand final has been taken away from the MCG and will be played in Queensland … at night.

Queensland and New South Wales are bickering between themselves over their borders and Western Australia is closed.

So, the economy is in the emergency room and the treasurer has had to turn up the oxygen and pump in the steroids in an effort to keep the patient alive long enough for it to fight off the disease, or until a cure can be found – doing whatever it takes and whatever it costs to keep the economy going and get the economy growing.

The bill we get when we finally walk out of the hospital is likely to be a national debt of 1 trillion dollars. That is the government's own projections based on some fairly "courageous" assumptions, including the widespread availability of a viable vaccine by the latter part of 2021.

It will be interesting to see how friendly the budgets will be when it comes time to start paying down that amount of debt.

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