

# TREASURY LAWS AMENDMENT (2020 MEASURES NO. 3)

## BILL 2020

### SECOND READING SPEECH

The Morrison Government continues to back small business by extending the \$150,000 instant asset write-off for six months to 31 December 2020. This measure is contained within this Bill, in addition to a number of tax integrity and regional support measures.

Schedule 1 to the Bill will amend the *International Monetary Agreements Act 1947* and will enable Australia to enter into loan agreements with the International Monetary Fund (IMF).

The IMF is providing emergency financing and debt relief, as well as enhancing liquidity, adjusting existing programs and access limits. It is in Australia's interest that the IMF remains strong and adequately resourced.

Access to IMF assistance offers benefits throughout the Indo-Pacific region, allowing countries to respond effectively to crises, secure financial stability and sustainable economic growth, and to reduce poverty.

The legislative amendments put forward in the Bill streamline the process by creating a clear legislative framework for Australia to enter into loan agreements, or amend existing agreements, with the IMF.

Where these types of loan agreements in the IMF constitute a formal international treaty action, they will be subject to tabling, consideration and reporting on the proposed agreement by the Joint Standing Committee on Treaties.

Schedule 2 to the Bill will amend the *Income Tax Assessment Act 1997* to include Toy Libraries Australia, The Samuel Griffith Society and Friends of Myall Creek Memorial on the list of deductible gift recipients (DGRs). DGR status allows members of the public to receive income tax deductions for the donations they make to these three organisations.

Schedule 3 to the Bill amends section 8C of the *International Monetary Agreements Act 1947* to remove the requirement for the IMF to request Australian assistance for a third country, as the IMF no longer issues such requests.

Schedule 4 to the Bill amends the income tax law to extend the \$150,000 instant asset write-off by six months until 31 December 2020 for businesses with aggregated annual turnover of less than \$500 million.

The Government first announced the \$150,000 instant asset write-off on 12 March 2020 as part of its commitment to backing business investment to help the economy withstand and recover from the economic impact of Coronavirus.

The extension means that around 3.5 million Australian businesses will continue to be able to access the \$150,000 instant asset write-off for their investments as they emerge from the economic impact of the Coronavirus. This includes any investments that may have been delayed by supply chain disruptions.

The instant asset write-off helps improve cash flow for businesses by bringing forward tax deductions on purchases of eligible depreciating assets. The threshold

applies on a per asset basis, so eligible businesses can immediately write-off multiple assets each costing less than \$150,000.

Eligible assets, which include new and second-hand depreciating assets, will need to be first used or installed ready for use by 31 December 2020.

The Bill also ensures that larger businesses that adopt substituted accounting periods will be able to access the \$150,000 instant asset write-off for purchases of eligible assets until 31 December 2020.

Schedule 5 to the Bill will amend the *Taxation Administration Act 1953* to reduce the GDP adjustment factor for the 2020-21 income year to nil. The GDP adjustment factor is applied by the Commissioner to work out the amount of PAYG instalments payable by a taxpayer in certain circumstances. Taxpayers that pay instalments that are not indexed by historical nominal GDP outcomes already use methods that are automatically adjusted to any income shocks.

This change will better align tax instalments with current economic conditions. An estimated 2.2 million taxpayers paying PAYG income tax instalments and around 81,000 taxpayers paying GST instalments will be affected.

Schedule 6 to the Bill amends the *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* to clarify that the calculation of a cash flow boost credit will include amounts of personal service income withheld.

This amendment will apply to all cash flow boost payments from the March 2020 period.

The Government is continuing to do what it takes to ensure that Australia bounces back stronger from the Coronavirus crisis.

Full details of the measures are contained in the explanatory memorandum.

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