



OTHER BUDGET ANNOUNCEMENTS

Removing CGT for ‘granny flat arrangements’

A targeted CGT exemption will apply **from 1 July 2021** (subject to the passing of legislation), for ‘granny flat arrangements’. Broadly, these involve older Australians or people with disabilities transferring their home or the proceeds from the sale of their home (and/or other assets) to their adult children or other trusted persons in return for the promise of ongoing housing and care.

Under this exemption, CGT will not apply to the creation, variation or termination of a formal written granny flat arrangement providing accommodation for older Australians or people with disabilities.

This 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 measure is consistent with the recommendations made in the Board of Taxation’s *Review of Granny Flat Arrangements*, the Government’s *National Plan to Respond to the Abuse of Older Australians* announced on 19 March 2019, and the 2017 Australian Law Reform Commission’s Report: *Elder Abuse — A National Legal Response*.

Superannuation reforms

The Government will provide \$159.6 million over four years from 2020/21 to implement reforms to improve outcomes for superannuation fund members.

Currently, structural flaws in the superannuation system mean that unnecessary fees and insurance premiums are paid on multiple accounts, members pay too much in super fees, underperforming products are costing members in lost retirement savings, and there is inadequate transparency on how funds are spending members’ money.

From 1 July 2021, the proposed reforms will make the system better for members in four key ways:

- **Your superannuation follows you** – An existing superannuation account will be ‘stapled’ to a member to avoid the creation of a new account when that person changes their employment.
- **Empowering members** – A new, interactive, online *YourSuper* comparison tool will help members decide which super product best meets their needs.
- **Holding funds to account for underperformance** – *MySuper* products will be subject to an annual performance test. Funds that underperform will need to inform their members. Funds that fail two consecutive underperformance tests will not be permitted to receive new members unless their performance improves. By 1 July 2022, annual performance tests will be extended to other superannuation products.
- **Increased accountability and transparency** – The Government will strengthen obligations on superannuation trustees to ensure their actions are consistent with members’ retirement savings being maximised. For example, trustees will be required

to comply with a new duty to act in the best financial interests of members.

Clarifying income tax exemptions for individuals engaged by the IMF and the World Bank group

The Government will clarify privileges and immunities, including income tax exemptions, available to Australian individuals performing short term missions on behalf of the International Monetary Fund ('IMF') and three institutions of the World Bank Group ('WBG'). The measure will apply retrospectively **from 1 July 2017**.

This measure will clarify that Australian short-term experts are entitled to an exemption from income tax for their relevant income from the organisations. This aligns Australia's domestic legislative framework with its international obligations and provides certainty for taxpayers. This outcome is consistent with Australia's longstanding support for and contributions to the IMF and the WBG

Additional funding to address serious and organised crime in the tax and superannuation system

The Government will provide \$15.1 million to the ATO to target serious and organised crime in the tax and superannuation systems. This extends the 2017/18 Budget measure *Additional funding for addressing serious and organised crime in the tax system* by a further two years to 30 June 2023.

Supporting the mental health of Australians in small business – COVID-19 response package

The Government will provide \$7 million in 2020/21 to support the mental health and financial wellbeing of small businesses impacted by COVID-19, including:

- \$4.3 million to provide free, accessible and tailored support for small business owners by expanding Beyond Blue's NewAccess program in partnership with the Australian Small Business and Family Enterprise Ombudsman; and
- \$2.2 million to expand a free accredited professional development program that builds the mental health literacy of trusted business advisers so that they can better support small business owners in times of distress, delivered through Deakin University.

Insolvency reforms to support small business

The Government will implement certain insolvency reforms, effective **from 1 January 2021** (subject to the passing of legislation) to support small business, including the following:

- The introduction of a new streamlined process to enable eligible incorporated small businesses (broadly, those with liabilities of less than \$1 million) in financial distress to restructure their debt.
- Simplifying the liquidation process for eligible incorporated small businesses (to allow faster and lower-cost liquidations, increasing returns for creditors and employees).
- Support for the insolvency sector (to ensure it can respond effectively to increased demand and to the needs of small business).

Currently, the insolvency system faces a number of challenges. These include an increase in the number of businesses in financial distress due to COVID-19, a 'one-size-

fits-all' system, and high costs and lengthy processes that can prevent distressed small businesses from engaging with the insolvency system early thereby reducing their opportunity to restructure and survive.

Temporary insolvency and bankruptcy protections that were introduced in March 2020 to provide relief for businesses impacted by COVID-19 are due to expire on 31 December 2020 (e.g., under these measures, directors are temporarily relieved from personal liability for trading while insolvent). However, the number of companies being put into external administration is expected to increase significantly, putting additional stress on the system. Therefore, the above proposed reforms will help more businesses to successfully get to the other side of the crisis.