

Practice Update: Special Edition

November 2020, Issue One

2020 NSW State Budget Report

2020 has been eventful and turbulent and the NSW State Budget delivered late November was no different. The NSW Government announced a range of measures designed to stimulate the NSW economy – with the biggest proposal being major property reform.

This comes with an expected Budget deficit, with NSW Treasurer Dominic Perrottet stating it will reach \$16 billion next year.

The debt and deficit scenario has moved the Government to deliver a Budget that includes a number of measures designed to support businesses and create jobs. Those drawing the most interest include Property Tax Reform, Payroll Tax changes, Infrastructure projects and vouchers to boost spending at entertainment venues and restaurants in the Sydney CBD.

Stamp Duty

Perrottet announced plans to transition from stamp duty to a property tax with purchasers having the option to pay either stamp duty up front or the property tax each year. If property tax is chosen, this will be locked in for future owners of the property. This is a major shift and the full impact will need to be considered.

Stamp duty has long been considered by some to be an inefficient tax that adds considerable costs to buying a property. The next steps will see this proposal move forward to a consultation process.

The Government will commence a consultation process seeking feedback from stakeholders on the abolition of stamp duty (and land tax) in favour for an annual property tax. While it is still early stages, the NSW Government aims to transition to a tax system designed to boost home ownership, home mobility, the economy and jobs in NSW.

This measure, along with the recent RBA interest rate cut, will likely have a flow-on effect for the property market in NSW such that once it is fully effective, price pressure for residential property in NSW will likely follow.

Other property changes included a social housing package, with Indigenous housing stocks to receive over \$800 million on new homes or upgrades.

Payroll Tax

The Government announced a number of changes to payroll tax, hoping the savings will be used by employers to invest in new staff and business growth.

The changes include a payroll tax rate which will be cut from 5.45% to 4.85% for 2 years, backdated to start from 1 July 2020. Furthermore, the payroll tax threshold will be permanently increased from \$1 million to \$1.2 million.

The Government estimates 3,500 NSW business will no longer have to pay payroll tax and estimates this will result in \$2.4 billion savings to business for this fiscal year, and the next. This means that for a company with annual NSW wages of \$10 million, they will save \$60,000 per annum.

November 2020 – NSW State Budget Update

The Government has also announced a payroll tax exemption for any additional JobKeeper payments to employees above the usual wages they would have received for the work performed.

In addition to this announcement, SMEs who don't pay payroll tax will be eligible for a \$1,500 digital voucher to cover the cost of government fees and charges, aimed at reducing the burden for businesses.

Infrastructure

Historical investment in NSW infrastructure was announced of up to \$107.1 billion over the next four years. Perrottet says this will stimulate the economy and support the community in one of the most challenging periods of their time.

New funding has been allocated to projects of all sizes and across all regions, including projects for public services and natural disaster resilience.

In the next 12 months \$30 billion has been allocated including \$18.2 billion on transport, \$2.1 billion on health and \$1.2 billion on education. Highlight projects include Sydney Metro West, Princes Hwy upgrades, Shoalhaven Hospital redevelopment, new and upgraded schools infrastructure funding, digital programs and justice.

Hospitality and Entertainment

With the hospitality and leisure sector facing the most negative impact due to COVID-19, the NSW government announced incentives to boost spending on hospitality and entertainment venues.

As part of the plan, every adult in NSW will receive \$100 in vouchers to spend at hospitality and entertainment venues. These vouchers will be divided into four \$25 vouchers – with two for nominated hospitality venues and the remaining two for entertainment venues such as galleries, cinemas, amusement parks and theatres.

Martin & Orr Accountants

52 Sorrell Street, North Parramatta NSW 2151

Ph 61 2 98904411, Fax 61 2 98904433

Visit our website www.martinorr.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Copyright © 2020 Martin & Orr Accountants, All rights reserved.



Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances. The content of this Practice Update is composed by the BDO Public Practice Network, and is edited by Martin & Orr Accountants.