Federal Budget 2022-23: Australia remains resilient. Australians remain strong!

By Darren Wilson
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The Federal Treasurer of Australia, Mr Josh Frydenberg, handed down the 2022/23 Federal Budget on 29 March 2022.

Just over two years ago, the world entered the Covid-19 pandemic. Previous budget papers confirmed that the pandemic was the greatest challenge for the global economy since the Great Depression. The Treasurer noted in his 2022-23 Budget speech, that we still live in uncertain times with the pandemic continuing, war raging in Europe and local events such as devastating floods impacting many people.

Notwithstanding the many challenges, the Treasurer confirmed that *"Australia remains resilient. Australians remain strong".*

The Treasurer advised that Australia's unemployment rate is currently at 4%, the equal lowest in 48 years. He also highlighted that Australia's AAA credit rating has been maintained. The outlook for real GDP has strengthened, with growth forecast to be 4¼ % in 2021/22 and 3½ % in 2022/23.

Some key issues raised in the Budget are noted below. As is the case with all tax announcements, the devil will be in the detail. All issues raised are announcements (with some ambiguity) and are subject to laws being passed by parliament.

Temporary fuel excise relief

Fuel excise will be reduced by 50 % for six months. This will see excise on petrol and diesel cut from 44.2 cents per litre to 22.1 cents per litre.

The excise and excise-equivalent customs duty rates for all other fuel and petroleum-based products, except aviation fuels, will also be reduced by 50 % for six months.

The measure will commence from 12.01am on 30 March 2022 and will remain in place for 6 months, ending at 11.59pm on 28 September 2022.

Technology Investment Boost

The Government is introducing a technology investment boost to support digital adoption by small businesses. The boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 (Budget night) until 30 June 2023.

Small businesses (with aggregated annual turnover of less than $50 million) will be able to deduct an additional 20 % of the cost incurred on business expenses and depreciating assets that support their digital adoption, such as portable payment devices, cyber security systems or subscriptions to cloud-based services.

An annual cap will apply in each qualifying income year so that expenditure up to $100,000 will be eligible for the boost.

External Training Courses

The Government announced a support measure for external training provided by small business (aggregated turnover less than $50 million) to employees in Australia or on-line delivered by entities registered in Australia. In-house training and on the job training are excluded. Eligible businesses will be able to deduct an additional 20% of such training costs incurred from 7.30pm (AEST) on 29 March 2022 to 30 June 2024.

Note that eligible expenditure incurred before 30 June 2022 will be claimed in a tax return for the following income year. Expenditure incurred in either of the subsequent two years will be claimed in the year incurred.

PAYG and GST Instalments

The Government will set the uplift factor for pay as you go (PAYG) and GST instalments at 2% for the 2022/23 income year. This uplift factor is lower than the 10% that would have applied under the statutory formula.

The lower uplift rate will provide cash flow support to small/medium businesses.

The 2% GDP uplift rate will apply to small/medium enterprises eligible to use the relevant instalment methods (up to $10 million annual aggregated turnover for GST instalments and $50 million annual aggregated turnover for PAYG instalments) in respect of instalments that relate to the 2022-23 income year and fall due after the enabling legislation receives Royal Assent.

It is also noted that in the future (potentially 1 January 2024), companies will be able to choose to have their PAYG instalments calculated based on current financial performance extracted from accounting software.

Tax Avoidance Taskforce

The Government will provide $325 million in 2023/24 and $328 million in 2024/25 to the ATO to extend the operation of the Tax Avoidance Taskforce by two years to 30 June 2025.

The Taskforce was established in 2016 to undertake compliance activities targeting multinationals, large public and private groups, trusts and high wealth individuals. It also scrutinises specialist tax advisors and intermediaries that promote tax avoidance schemes and strategies.

Data Sharing

The Government will facilitate sharing of single touch payroll data with State and Territory Governments on an ongoing basis to cater for pre-filling payroll tax returns.

Superannuation – Minimum Draw Down

By way of background, superannuation funds in Australia are taxed concessionally. When a member enters retirement phase, further concessional tax treatment may be available. In order to obtain this further concessional treatment, a member's balance is often converted to an account-based pension. As a result of the conversion, there is broadly a requirement for the member to withdraw a minimum pension each year based on their age.

The Government has extended the 50% reduction of the superannuation minimum drawdown requirements for account-based pensions for a further year to 30 June 2023.

Employee Share Schemes – Unlisted Companies

The Government will expand access to employee share schemes from a date to be advised. Employee Share Schemes are complex rules. Broadly, one aspect of the rules is to identify the tax treatment of a 'discount' provided by an employer when issuing shares or other rights relating to equity.

The Government has said that where employers make larger offers in connection with employee share schemes in unlisted companies, participants can invest up to:

- $30,000 per participant per year, accruable for unexercised options for up to five years, plus 70% of dividends and cash bonuses; or
- any amount, if it would allow them to immediately take advantage of a planned sale or listing of the company to sell their purchased interests at a profit.

Personal Tax Rates and Cost of living tax offset

Whilst the Budget contains no changes to personal tax rates (apart from minor increases to the Medicare Levy low income threshold), the Government will increase the low-and middle-income tax offset (LMITO) for the 2021-22 income year. LMITO is targeted at low-and middle-income earners.

The LMITO for the 2021-22 income year will be paid from 1 July 2022 when Australians submit their tax returns for the 2021-22 income year. This proposal will increase the LMITO by $420 for the 2021/22 income year. This increases the maximum LMITO benefit in 2021-22 to $1,500 for individuals.

Consistent with the current LMITO, taxpayers with incomes of $126,000 or more will not receive the additional $420.

There will also be a one-off $250 cost of living payment delivered within weeks (possibly April 2022) to pensioners, carers, job seekers and concession card holders.

COVID Tests

The Government will ensure that the costs of taking a COVID-19 test to attend a place of work are tax deductible for individuals from 1 July 2021. In making these costs tax deductible, the Government will also ensure fringe benefits tax (FBT) will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose.

Patent Box

The Government will expand the Patent Box measures, announced in the 2021-22 Budget and currently before Parliament, to support the Australian agricultural, low emissions technology and medical and biotechnology sectors. As a general proposition the Patent Box measure allows income from certain patents to be taxed concessionally.

Other initiatives

- The Government announced an expansion of its apprenticeship and training schemes including an extension of wage subsidies.
- Ahead of the Budget, the Government announced an expansion of its Home Guarantee Scheme.
- A possible extension to the temporary full expensing measures due to expire on 30 June 2023 appears absent from the budget.
- The Budget included an announcement that a further $469 million will be invested to continue implementing the Government's response to the Royal Commission into Aged Care Quality and Safety.
- Certain fuel and alcohol businesses with turnovers of less than $50 million will be subject to some opportunities including being able to automatically lodge and pay excise returns on a quarterly basis without needing to continue monthly payments.
- The Government is proposing to end requirements for certain businesses including contracting building and construction, cleaning, freight, courier, security and IT services to submit a separate taxable payments annual report. The new system will use information collected through Business Activity Statements to automatically prefill taxable payments annual documentation.
- The Government intends to digitalise trust and beneficiary income reporting.
- A number of additional organisations will become Deductible Gift Recipients for donations.

Should you wish to discuss the Federal Budget further, please contact your Fordham Partner. have any queries in relation to any of these measures please contact your Fordham Partner.

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