



Federal Budget 2021-2022

Securing Australia's recovery



~~30%~~

~~27.5%~~

25%

Base entity rate
(Companies with annual turnover less than \$50m)

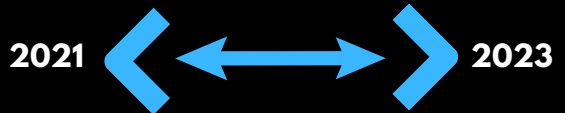
\$7.8b

Individual tax cuts

By retaining the low and middle income tax offset, delivering \$1,080 per individual in tax cuts, impacting



10.2m
Australians



Temporary full expensing of assets
Extended until 30 June 2023

Modernised tax residency
Simplifying the residency tests for identifying Australian tax residents



\$350k

Excise refund scheme cap increase

Brewers and distillers will receive a full remission on any excise they pay on alcohol they produce up to the cap



\$1.2b

Supporting local tourism

Including 800,000 half price airfares and supporting travel agents, zoos and events providers



Patent box

The creation of the medical and biotech industry Patent Box means that income derived from medical and biotech patents will be taxed at

17%

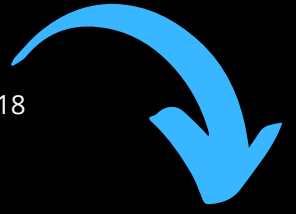
HomeBuilder grant

Extending the 6 month construction period to 18 months

20,000

NewHome Guarantees

Providing additional guarantees to eligible new home buyers



\$2.7b

Apprentice subsidies

Creating 170,000 new apprentice positions and a further 450,000 training places



\$15.2b

Infrastructure projects

Over the next 10 years, supporting 30,000 new jobs and 100,000 already supported.



Introduction

Last night, our Treasurer Josh Frydenberg delivered the 2021-22 Federal Budget to Parliament. He emphasised that our economy has recovered strongly post COVID and is set to return to pre-pandemic levels nine months earlier than expected, with the unemployment rate's recovery set to be five times faster than the 1990s recession.

While we are not yet out of the pandemic, we are better placed than most other countries in the world to meet the economic challenges that lie ahead.

The Treasurer announced that this Budget is the next stage of the Government's economic plan to secure Australia's recovery. It creates jobs, guarantees essential services and builds a more resilient and secure Australia through:

- Personal income tax cuts;
- Business tax incentives;
- New apprenticeships and training places;
- More infrastructure; and
- Record funding for schools, hospitals, aged care, mental health and the NDIS.

We have drilled into the 2021-22 Budget documents to find the key points most relevant to you, our clients.

Please don't hesitate to contact us if you would like more information about how any of these changes will apply to your circumstances.

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Individual taxation

To support household income, the Government will deliver an additional \$7.8 billion in tax cuts by retaining the low and middle income tax offset (LMITO) in 2021-22. Around 10.2 million individuals will benefit from retaining the offset in 2021-22, which is worth up to \$1,080 for individuals or \$2,160 for couples.

The Government is also simplifying the self-education deduction by removing the exclusion of the first \$250 of deductions for prescribed courses of education.

The Government is modernising the individual tax residency rules. From 1 July 2021, the primary test on residency will be a simple 'bright line' test: a person who is physically present in Australia for 183 days or more in any income year will be an Australian tax resident. There will also be secondary tests that will depend on a combination of physical presence and measurable objective criteria.



Business taxation

The Government will continue to support businesses to invest, grow and create more jobs by:

- Reducing the base rate entity (companies with annual turnover of less than \$50m) tax rate to 25% from 1 July 2021
- Extending the temporary full expensing of assets for businesses with annual turnover up to \$5b until 30 June 2023
- Extending the loss carry-back provisions allowing businesses with annual turnover up to \$5b to apply tax losses during the 2019-20, 2020-21, 2021-22 and now the 2022-23 income years to offset tax paid in 2018-19 or later years – which could result in a potential tax refund to help increase cashflow

The Government is supporting Australian companies to attract and retain talent by making regulatory improvements to the Employee Share Scheme (ESS) regime. These reforms will make it easier for companies to offer ESS to employees, giving more Australians a share in the economic value they create through their hard work and ingenuity.

There will be increased rights for small businesses to pause the collections of ATO disputed debts. Small business entities with an aggregated turnover of less than \$10m per year, will be able to apply to the Small Business Taxation Division of the Administrative Appeal Tribunal (AAT) to have the ATO debt recovery actions paused until their underlying case is decided by the AAT.

The Excise Refund Scheme cap increases from \$100,000 to \$350,000. From 1 July 2021, all eligible brewers and distillers will receive a full remission (up from 60%) of any excise they pay on alcohol they produce up to a cap of \$350,000 each financial year.

From 1 July 2023 (at the end of the temporary full expensing of assets), taxpayers will be allowed to self-assess the effective life of certain depreciating intangible assets for tax purposes. This will apply to patents, registered designs, copyrights, in-house software, licences and telecommunications site access rights.

An additional \$2.7b in apprentice wage subsidies has also been provided to create 170,000 new apprentice positions and a further 450,000 new training places.



Superannuation

The 2021-2022 budget is giving older Australians, including self-funded retirees, greater flexibility to contribute to their superannuation. Key changes include:

- Removal of the \$450 minimum income threshold for Superannuation Guarantee Contribution (SGC), meaning all employees will receive superannuation
- Giving older Australians the choice to move out of legacy retirement products into more flexible and contemporary retirement products
- From 1 July 2022, the work test for voluntary non-concessional and salary sacrificed superannuation contributions for those aged 67 to 74 will no longer be applicable and they will also have access to the 'bring forward' arrangements, subject to eligibility. However, the work test will still be applicable to personal super contribution deductions
- From 1 July 2022, those aged over 60 (formerly 65) can make a one-off, post-tax contribution of \$300,000, when they sell the family home, provided it was owned for a minimum of 10 years
- From 1 July 2022, the Government will improve the Pension Loans Scheme – meaning participants will be able to access lump sum advances up to a total of 50% of the maximum annual rate of Age Pension. The Government will also introduce the No Negative Equity Guarantee, meaning the borrowers will not owe more than the market value of their property

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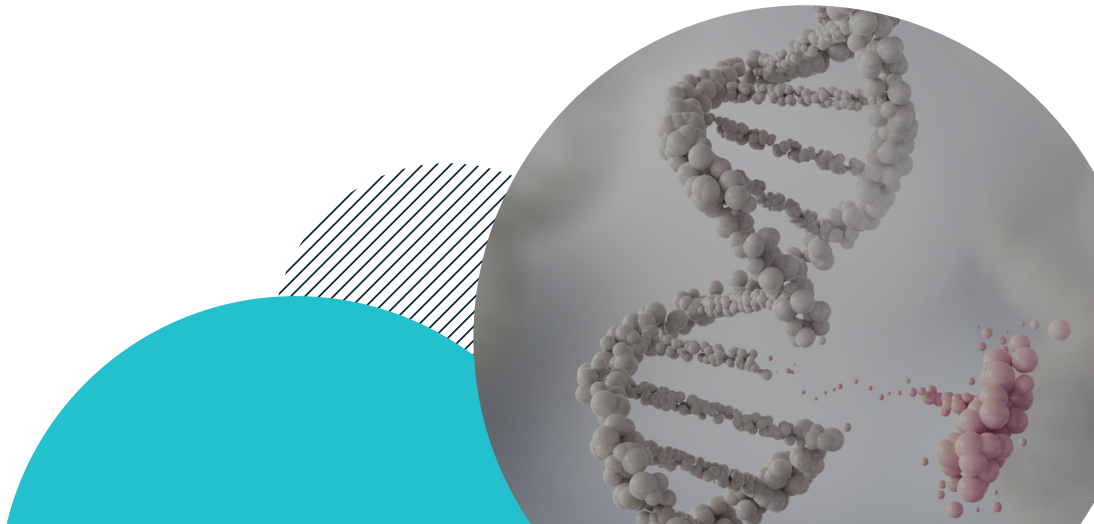


Patent box

The Government is encouraging investment in, and the retention of, Australian medical and biotech technologies by introducing a patent box, following the lead of countries such as the UK and France. From 1 July 2022, the patent box will tax income derived from Australian medical and biotech patents at a 17% effective concessional corporate tax rate (down from 30% or 25% corporate tax rates). This will expand to the Clean Energy sector after consultation.

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Infrastructure investment

The Government is building on its 10-year infrastructure pipeline by committing an additional \$15.2b to infrastructure projects over the next ten years, which will support over 30,000 jobs over the lives of those projects. This builds on the 100,000 jobs already being supported by projects currently under construction through the existing pipeline.

Northern Territory

\$323.9m for projects, including:

- \$173.6m for the Northern Territory Gas Industry Roads Upgrades; and
- \$150m for the Northern Territory National Network Highway Upgrades.

Additionally, \$77.1m is also being allocated to road safety and community infrastructure projects.

Western Australia

\$1.3b for projects, including:

- \$237.5m for METRONET works at Hamilton Street and Wharf Street; and
- \$200m for upgrades to the Great Eastern Highway.

Additionally, \$288.1m is also being allocated to road safety and community infrastructure projects.

South Australia

\$3.2b for projects, including:

- \$2.6b for the North-South Corridor - Darlington to Anzac Highway; and
 - \$148m for Stage 2 of the Augusta Highway Duplication.
- Additionally, \$173.9m is also being allocated to road safety and community infrastructure projects.



Queensland

\$1.6b for projects, including:

- \$400m for the Bruce Highway; and
- \$240m for the Cairns Western Arterial Road Duplication.

Additionally, \$464.4m is also being allocated to road safety and community infrastructure projects.

New South Wales

\$3.3b for projects, including:

- \$2b for upgrades to the Great Western Highway between Katoomba and Lithgow; and
- \$500m for Princess Highway Corridor upgrades.

Additionally, \$458.5m is also being allocated to road safety and community infrastructure projects.

Australian Capital Territory

\$167.3 for projects, including:

- \$132.5m for Canberra Light Rail - Stage 2A; and
- \$26.5m for the William Hovell Drive Duplication.
- \$250m for Monash Roads Upgrades.

Additionally, \$18.9m is also being allocated to road safety and community infrastructure projects.

Victoria

\$3b for projects, including:

- \$2b for the Melbourne Intermodal Terminal;
- \$380m for the Pakenham Roads Upgrade; and
- \$250m for Monash Roads Upgrades.

Additionally, \$373.5m is also being allocated to road safety and community infrastructure projects.

Tasmania

\$322.6m for projects, including:

- \$113.4 million for Midland Highway Upgrades; and
- \$80m for the Bass Highway Safety and Freight Efficiency Upgrades Package.

Additionally, \$54.6m is also being allocated to road safety and community infrastructure projects.

Home builder grant

The Government is extending the 6 month construction commencement period to 18 months for all existing applicants, which will smooth out the HomeBuilder construction activity in 2021 and into 2022.

Furthermore, the Government is providing a further 10,000 places under the New Home guarantee in 2021-22, specifically for first home buyers seeking to build a new home or to purchase a newly built home with a deposit as little as 5%. Also, another 10,000 guarantees will be made available over 4 years to eligible single parents with dependants to build a new home or purchase an existing home with a deposit as little as 2%, subject to the applicant's ability to service the loan.



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Innovation

The Government is committing \$2b in Research & Development (R&D) tax incentives.

For small businesses (turnover less than \$20m), the Government will increase the refundable R&D tax offsets to 18.5 percentage points above the company tax rate, and there will be no \$4m cap on cash refunds.

For larger businesses, the Government will streamline the intensity test from 3 to 2 tiers and increase the non-refundable R&D tax offset rates. The new rates will be the businesses company tax rate plus 8.5 percentage points for initial R&D expenditure up to 2% R&D intensity, and 16.5 percentage points for R&D expenditure above 2% R&D intensity.

The Government will also proceed with the increase in the cap on eligible R&D expenditure from \$100m to \$150m per annum.

Agricultural industry support

The Government is helping the agriculture industry achieve its goal of increasing farm gate output to \$100 billion by 2030. The key initiatives include:

- Building water infrastructure by opening up new irrigated areas and providing farmers more access to water and creating more industry jobs
- Enhancing soil quality to improve Australian farmers international competitiveness
- Managing pests and weeds to protect against outbreaks
- Preparing for future droughts, by helping farmers and communities adopt better risk management practices
- Increasing export markets to help farmers diversify and expand export markets



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Boosting local tourism

The Government is delivering a \$1.2b package for the aviation and tourism sectors. This includes over 800,000 half price airfares, maintaining our international airline capability which supports up to 8,000 jobs and enabling international flights to resume, when international borders reopen. There will be an additional \$274m aimed at supporting industries such as travel agents, zoos, aquariums and events providers.

International education providers

The Government is providing an additional 5,000 Commonwealth supported short course places in 2021-22 for non-university higher education providers, extending fee relief for international education providers, and providing temporary fee exemptions on FEE-HELP loans.



Contact us



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