



Federal Budget 2022-2023

Securing Australia's recovery

120%

Deduction

For small businesses (with less than \$50 million in turnover) for eligible expenditure on skills and training for staff as well as investment in digital technology economies



\$420

One-off tax offset

To increase the lower-to-middle income tax offset to \$1,500 for individuals and \$3,000 for dual income-earners



2020



2023

Superannuation minimum drawdown
Extended until 30 June 2023

Temporary Full Expensing

Will end on 30 June, 2023 and will see no further extension



\$250

One-off cost of living payment

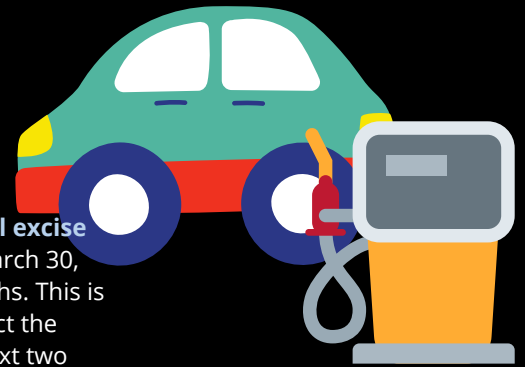
For pensioners, veterans and welfare recipients to assist in the increasing cost of living



50%

Reduction to fuel excise

As of midnight March 30, 2022 for six months. This is expected to impact the bowlers in the next two weeks.



Patent box

Will be extended to include other technologies include low emissions technologies which, as of 1 July 2023, will be taxed at a rate of

17%

Employee Share Schemes

Expanding access for unlisted companies to offer shares to employees at all levels

Cashflow assistance

GDP Uplift for PAYG and GST instalments
Reduced to 2%



\$17.9b

Infrastructure Investment

Focused on reducing inner city congestion, improving the connectivity of our regions and creating more jobs



20 weeks

Paid parental leave

To be shared between both parents as they see fit and fully accessible by single parent families





Introduction

Treasurer Josh Frydenberg delivered the 2022-23 Federal Budget on 29 March 2022. Whilst there are still clouds of uncertainty, both globally and locally, this year's budget moves on from the emergency response of the last two federal budgets, as the government now looks forward to rebuilding the economy.

The budget offers limited reforms or change for business, and despite the looming election, it is certainly not a big-spending cash-splash, though there are some modest sweeteners with one-off payments and tax offsets for a large number of voters.

Small and medium-sized businesses will enjoy a 120% deduction on eligible expenditure to encourage investment in technology, skills and training.

Key proposals for SME and private clients include:

SMEs and Employers

- Temporary Full Expensing will end on 30 June 2023 – no further extension
- Skills and Training Boost – 120% deduction for eligible expenditure
- Technology Investment Boost – 120% deduction for eligible expenditure
- Expanding access to employee share schemes

Individuals

- One-off \$420 cost of living tax offset – increasing the LMITO to \$1,500 for individuals
- LMITO cancelled moving forward – not available in FY23
- One-off \$250 cost of living payment to pensioners
- Superannuation minimum drawdown – 50% reduction extended to 30 June 2023

Other Snapshots

- Overhaul of the PAYG Instalment system
- Temporary 50% cut to the fuel excise – for 6 months from 30 March 2022
- Carbon farming income to be treated as primary production income
- Expansion of the Patent Box innovation concessions
- Apprentice wage subsidy extended
- \$9.9B investment in cybersecurity capabilities
- Funding for insolvency reform

For SMEs and Employers

Skills and Training Boost

Small and medium-sized businesses (with aggregated annual turnover of less than \$50 million) will be able to deduct 120% of expenditure incurred on eligible expenditure from 7.30pm (AEDT) on 29 March 2022 until 30 June 2024.

For eligible expenditure incurred in between budget night and 30 June 2022, the additional 20% deduction boost will be claimed in tax returns for the following year (i.e. FY23). For eligible expenditure incurred in FY23 and FY24, the boost will be claimed in the year in which the expenditure is incurred.

Eligible expenditure will include external training courses provided to employees. Some exclusions will apply, including expenditure on external training for persons other than employees, and in-house training.

Technology Investment Boost

SME's with aggregated annual turnover of less than \$50 million will also benefit from the Technology Investment Boost, which provides a 120% deduction for business expenses and depreciating assets that support digital uptake, including cloud computing, cyber security, portable payment devices, accounting and e-invoicing software and web page design.

Similar to the Skills and Training Boost, the additional 20% deduction boost will be claimed in FY23 for expenditure incurred between budget night and 30 June 2022, and for expenditure incurred in FY23 and FY24, the boost will be claimed in the year the expenditure is incurred.



For SMEs and Employers

Employee Share Schemes - Unlisted companies

Changes to Employee Share Scheme rules are aimed at reducing red tape to make it easier for companies to offer shares to employees at all levels, thus enabling employees to benefit from their contribution to the growth of their employer.

Unlisted companies will enjoy simplified disclosure requirements and licensing exemptions when making offers to employees under employee share schemes, with employees able to invest:

- \$30,000 per participant per year (increased from \$5,000)
- The \$30,000 annual limit will accrue for up five years for unexercised options, plus 70% of dividend and cash bonuses
- An unlimited amount, if it allows the employee to immediately take advantage of a planned sale or listing to sell their purchased interests at a profit.

Temporary Full Expensing

The Government has confirmed in the budget that the Temporary Full Expensing measures, which provide an immediate write-off on depreciating assets for the vast majority of Australian businesses, will end on 30 June 2023.

Apprentice Wage Subsidy Extended

The Boosting Apprenticeship Commencements wage subsidy will be extended to 30 June 2022 to support businesses and training organisations that take on new apprentices and trainees. Eligible businesses will be reimbursed up to 50% of an apprentice or trainee's wages of up to \$7,000 per quarter for 12 months.



For SMEs and Employers

Other Proposals

- COVID-19 test expenses – no FBT where employers provide tests to employees.
- The GDP uplift for PAYG and GST instalments reduced to 2% (it would have been 10% using the statutory formula), aimed at assisting SME cashflow.
- Changes to the PAYG Instalment system allowing companies to choose to have instalments calculated based on current financial performance extracted from business accounting software.
- Digitalisation of trust and beneficiary income reporting
- Investment in IT infrastructure to allow data-sharing of STP data with state revenue offices to facilitate prefilling of payroll tax returns
- Carbon farming income to be treated like other primary production income for tax purposes
 - From 1 July 2022, primary producers selling Australian Carbon Credit Units and biodiversity certificates will qualify for concessional tax treatment, providing access to existing primary producer concessions such as income tax averaging and the Farm Management Deposits scheme.



For SMEs and Employers

Other Proposals

- ATO audit capabilities boosted with additional \$600 million in funding over the next 3 years targeting tax avoidance by multinationals, large public and private groups and wealthy individuals.
- Improvements to the Taxable Payments Reporting System flagged with implementation from 1 January 2024
- Temporary reduction in fuel excise will effectively reduce fuel tax credits to nil for 6 months.
- Streamlining excise administration for fuel, alcohol and excise-equivalent customs duty.
 - Businesses with turnover of less than \$50 million will be able to lodge and pay excise and duty on a quarterly basis, rather than weekly or monthly.
- COVID-19 business grants will be made non-assessable non-exempt (NANE) for income tax purposes until 30 June 2022.
- Small Business Support Package to provide over three years
 - \$10.4 million to enhance and redesign the Payment Times Reporting Portal and Register
 - \$8 million to the Australian Small Business and Family Enterprise Ombudsman to enhance small business financial capability
 - \$4.6 million to provide free, accessible and tailored mental health support for small business owners through the New Access for Small Business Owners program delivered by Beyond Blue.
 - \$2.1 million to extend the Small Business Debt Helpline operated by Financial Counselling Australia, to provide financial counselling to small businesses facing financial distress.

For Individuals

Super-sizing the Lamington

It is an election year, after all, and the Government is serving up a sweetener for voters in the form of a one-off \$420 cost of living tax offset for FY22.

The offset will be delivered via an increase to the existing low and middle-income tax offset – “LMITO” or the Lamington offset as it is affectionately known.

All recipients of the LMITO will receive the full \$420 cost of living tax offset, except those who don't need the full offset to reduce their tax liability to nil.

As expected, the LMITO, which was originally intended to end on 30 June 2021, before being extended to 30 June 2022 in last year's budget, will end and is not available in FY23.

Extending the minimum super drawdown

The 50% reduction of superannuation minimum drawdown requirements for account-based pensions and similar products will be extended for another year, to 30 June 2023.

For Account-Based Pensions and Transition to Retirement Income Streams commenced or ceased part-way through FY23, a pro-rated minimum pension drawdown will apply, except if the pension commenced after 1 June 2023 in which case no minimum pension drawdown is required.





For Individuals

One-off payment to Pensioners

The government has announced a one-off \$250 payment to help eligible recipients with cost of living pressures. The payment, which is tax-free and will not count as income support for the purposes of any income support payment, will roll out in April 2022 to eligible recipients, holding certain concession or pension cards or receiving certain welfare or pension payments.

Other Proposals affecting Individuals

COVID-19 tests required to attend a place of work will be tax deductible for individuals from 1 July 2021

Temporary reduction in the fuel excise

The government have announced the fuel excise will be halved for 6 months from 12.01am on 30 March 2022, in a bid to reduce the burden of higher fuel prices.

The 50% reduction will reduce the excise from 44.2 cents per litre to 22.1 cents per litre, and applies to petrol, diesel and all other petroleum-based products with the exception of aviation fuels.

Increasing the Medicare levy low-income thresholds

The government will implement modest increases to the Medicare levy low-income thresholds for seniors, pensioners, families and singles from 1 July 2021.

Shake-up of the paid parental leave scheme

The existing 2 weeks of "Dad & Partner Pay" and 18 weeks of "Paid Parental Leave" will now be delivered in a combined 20 week parental leave package which can be split any way between parents.

Innovation

Patent Box

The Patent Box concession, which was announced in last year's budget in relation to assessable income from medical and biotechnology patents, will be expanded to include agricultural and veterinary chemical products and emissions reduction technology innovations.

Agricultural innovation

Income from the commercialisation of patents and eligible Plant Breeder's Rights issued from budget night, in respect to agricultural and veterinary chemical products will be taxed at 17% for income years commencing 1 July 2023.

Low emissions technology innovation

Income from the commercialisation of patents issued from budget night, that have the potential to lower emissions, will be taxed at 17% for income years commencing 1 July 2023.

Final design of the Patent Box expansion is subject to industry consultation and will apply to the extent that the R&D was carried out in Australia.





Contact us

mgi australasia 

mgiaust.com.au

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one is entitled to rely on this information and no one should act on such information without appropriate professional advice obtained after a thorough examination of the particular situation.

Liability limited under a scheme approved under Professional Standards Legislation.