

2022 Federal Budget

Below are details of measures introduced by the Treasurer in the 2022 Federal Budget. We hope you enjoy this read.

Temporary Support

LMITO

Low and middle-income tax offset will be increased by \$420 for 2021/22. This “cost of living offset” depends on income levels, however, could mean a rebate of up to \$1,500 when eligible taxpayers lodge their 2021/22 tax return. There was no announcement of an extension to LMITO beyond 2021/22. The following indicates the effect of the relief measure.

Taxable Income	LMITO
Up to \$37,000	Up to \$675
\$37,001 to \$48,000	\$675 to \$1,500
\$48,001 to \$90,000	\$1,500
\$90,001 to \$126,000	\$420 to \$1,500

\$250 cost of living payment

Payment announced for April 2022 to 6mn eligible pensioners, welfare recipients, veterans and concession card holders. The \$250 payment is tax exempt and will not affect income tests for other Government support. Australian residents receiving any one of the following payments are eligible.

- Age Pension
- Disability Support Pension
- Parenting Payment
- Carer Payment
- Carer Allowance (if not in receipt of a primary income support payment)
- Jobseeker Payment
- Youth Allowance
- Austudy and Abstudy Living Allowance
- Double Orphan Pension
- Special Benefit
- Farm Household Allowance
- Pensioner Concession Card (PCC) holders
- Commonwealth Seniors Health Card holders
- Eligible Veterans' Affairs payment recipients and Veteran Gold card holders.

Fuel Excise

From 30/3/2022 the excise and excise equivalent customs duty rate that applies to petrol and diesel is reduced by 50% until 28/9/22. There is an exclusion of aviation fuels to this measure. The current excise on petrol and diesel is 44.2 cents per litre and commentary would suggest that a family with two cars who fill up once a week could save about \$30 a week, or approximately \$700 over the next six months. For our farming and other eligible road users though, who claim fuel tax credits through their BAS's, there is no net difference as these taxpayers claim the excise back in full for off road and in part for on road heavy vehicle use.

Business Incentives

Training expenditure

Small businesses with an aggregated turnover less than \$50mn will receive a 20% uplift on deductions for eligible expenditure on external training courses where the course is delivered by entities registered in Australia to employees in Australia. Exclusions will apply to in-house or on the job training and the eligible expenditure must be incurred between 29/3/2022 until 30/6/2024. For expenses incurred in this first 2021/22 tax year, they will be claimed in the 2022/23 income tax return. For expenses incurred after this, they will be claimed in the tax year incurred.

Digital adoption

Like above, small businesses obtain a 20% boost for costs incurred between 29/3/2022 and 30/6/2023 supporting digital adoption. The business expenses and depreciating assets that support digital uptake are capped at \$100,000 per year and may include payment devices, cyber security systems, or subscriptions to cloud-based services. The eligible expenditure incurred by 30/6/2022 will be claimed via the tax return for the following income year. Expenditure incurred between 1/7/2022 and 30/6/2023 will be included in the income year in which the expenditure is incurred.

Employee share schemes for unlisted companies: thresholds amended

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 5 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.

These planned reforms expand the availability of employee share schemes to a wider range of companies and employees, allowing employees to benefit from a larger share of the business' growth.

The Government will also remove regulatory requirements for offers to independent contractors, where they do not have to pay for interests. No date of effect is specified in the Budget papers.

Apprentice wage subsidy

Earlier announcements to extend the Boosting Apprenticeship Commencement (BAC) and Completing Apprenticeship Commencements (CAC) wage subsidies by 3 months to 30/6/2022 came to fruition in this Budget. There is also funding over five years to introduce a new Australian Apprenticeships Incentive System from 1/7/2022 as further support to employers and apprentices in "priority occupations".

For Our Farmers

Patent Box Income

The concessional tax treatment for eligible corporate income associated with new patents in the medical and biotechnology sectors will be extended to corporate taxpayers who commercialise their eligible patents linked to agricultural and veterinary chemical products and patented technologies which have the potential to lower emissions. The concessional tax rate is 17%, with effect from 1/7/2022.

Selling Carbon Credits

Currently the proceeds from selling Australian Carbon Credit Units (ACCUs) are treated as non-primary production income and are ineligible for concessional tax treatment under the FMD scheme or primary production tax averaging. ACCU holders are taxed based on changes in the value of their ACCUs each year which often results in tax liabilities before sale. From 1/7/2022 the proceeds from the sale of ACCUs and other biodiversity certificates generated from on farm activities will be treated as primary production income.

Superannuation

The 50% reduction in the minimum pension drawdowns was due to end next financial year. The Government announced an extension to this temporary 50% reduction for minimum annual pension payments to the 2022/23 income year. Minimum drawdowns can be summarised as follows:

Age of beneficiary (years)	Standard percentage factor (%)	Minimum drawdown for 2021/22 & 2022-23 proposed (after 50% reduction)
to 64	4	2
65 to 74	5	2.5
75 to 79	6	3
80 to 84	7	3.5
85 to 89	9	4.5
90 to 94	11	5.5
95+	14	7

Family/Housing Measures

Home Guarantee Scheme

\$8.6 million was committed to expand the Home Guarantee Scheme. The existing scheme ensures part of an eligible buyer's home loan is guaranteed by the Government so they can buy a home sooner with a smaller deposit and without needing to pay lender's mortgage insurance. The Government-backed guarantee equals to the difference between the deposit and 20% of the house purchaser price with applications made as part of the standard home loan application process through participating lenders.

Under the expanded Scheme, the Government is committing to:

- 35,000 guarantees each year (up from the current 10,000), from 1/7/2022 under the First Home Guarantee, to support eligible first homebuyers to purchase a new or existing home with a deposit as low as 5 per cent,
- 10,000 guarantees each year (from 1/10/2022 to 30/6/2025), under a new Regional Home Guarantee, to support eligible homebuyers (including non-first home buyers and permanent residents, to purchase or construct a new home in regional areas), subject to passing of the legislation, and
- 5,000 guarantees each year (from 1/7/2022 to 30/6/2025) to expand the Family Home Guarantee to help eligible single parents with children to buy their first home or to re-enter the housing market with a deposit of as little as 2 per cent.

Personal Tax and Administration

Personal Tax Rates

No changes to the personal tax rates for 2022/23 as the Stage 3 personal income tax cuts remain unchanged and will commence in 2024/25 as already legislated.

COVID-19 test expenses to be deductible

Confirmation was provided in this Budget that the costs of taking a COVID-19 test to attend a place of work are tax deductible for individuals from 1/7/2021. With this treatment Fringe Benefits Tax will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose.

PAYG Instalment Methods

Companies will be allowed to choose to have their PAYG instalments calculated based on current financial performance, extracted from business accounting software (with some tax adjustments). The commencement date is "subject to advice from software providers about their capacity to deliver". It is anticipated that systems will be in place by 31/12/2023, with the measure to commence on 1/1/2024, for application to periods starting on or after that date.

Taxable payments data reporting: option to link to BAS cycle

The Treasurer announced earlier that businesses will be provided with the option to report Taxable Payments Reporting System data on the same lodgment cycle as their activity statements, via accounting software.

The Government will consult with affected stakeholders, tax practitioners and digital service providers to finalise the policy.

Subject to advice from software providers about their capacity to deliver, it is anticipated that systems will be in place by 31/12/2023, with the measure to commence on 1/1/2024.

ABN measures deferred

This Budget defers the start date of the Black Economy – strengthening the Australian Business Number (ABN) system measure, announced in the 2019/20 Budget, by 12 months to assist with integration into the Australian Business Registry Services (ABRS).

STP data to be shared with States and Territories

The Government plans to develop IT systems required to allow the ATO to share single touch payroll (STP) data with State and Territory Revenue Offices on an ongoing basis.

Funding for this measure has already been provided and will be deployed following further consideration of which States and Territories are able and willing to make investments in their own systems and administrative processes to pre-fill payroll tax returns with STP data.

ABR to be modernised

The ABR will be moving to a modernised platform by September 2023.

The reforms include:

- removing the companies annual late review fee
- reducing the number of fees paid for ad hoc lodgements under current requirements
- removing fees for searches conducted on the new registry website, and
- providing funding to Treasury to redesign wholesale business register search services (facilitated by third-party services).

What is important | 2022 Federal Budget

Temporary Support

LMITO increased



The Low & Middle Income Tax Offset has been increased for 2021/22 from the max \$1080 to \$1500. It does not extend to 2022/23.

Fuel Excise



Fuel excise reduced from 44.2 cents down to 22.1 cents, effective now for 6 months until 28/9/2022.

Cost of living



A one-off Cost Of Living Payment of \$250 will be provided to pensioners, carers, veterans, job seekers, eligible self funded retirees, and concession card holders.

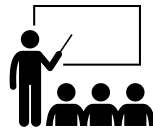
Business Incentives

Technology Investment boost



Every \$100 a small business spends on digital technologies will receive a \$120 tax deduction up to \$100,000 per year.

Skills & training boost



Every \$100 a small business spends on training will receive a \$120 deduction, with no cap.

Exports



\$80 million additional support for small to medium enterprises to establish their export markets.

Farmers

Patent Box Tax Concessions



Patent Box concessions extended to agriculture and low emission technologies.

Carbon credit & biodiversity certificate income



The proceeds from the sale of ACCU's generated from on farm activities will be treated as primary production income for FMD and PP tax averaging purposes.

Superannuation

Superannuation Pensions



50% reduction in minimum annual payment amounts for superannuation pensions extended to 30/6/2023.

Family | Housing Measures

Women & Children



\$1.3 billion to end violence against women & children.

Housing Affordability



Home Guarantee Scheme increase to 50,000 places per year. And \$2 billion increase through the National Housing Finance and Investment Corporation.