

# 2022 Budget

## *...with an election to follow*

National online briefing and discussion

Thursday, 31 March

11:30am – 12:30pm (AEDT)

**The webinar will commence soon...**



**David Montani**  
National Tax Director



**Naomi Smith**  
Tax Partner –  
Canberra



**Tino Di Battista**  
Business Advisory and  
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# 2022 Budget

## Overview

- 2022-23 deficit of \$78 billion
  - 3.4% of GDP
- Peak net debt of \$865 billion by 2026
  - 33.1% of GDP
- Forecast unemployment rate of 3.75%
- Cost of living relief measures
- Red tape relief for business
- Training and technology incentives

# 2022 Budget

## Initial thoughts

- Better outcomes than predicted in previous two “pandemic” Budgets
- In 2020, Treasurer said no major structural reforms until unemployment down to 6%
  - May 2021: 5.6%
  - Today: 4%
  - Predicted: 3.75%
- Uncertainty due to impending election
  - Opposition committed to new Budget later in the year

# Personal taxation

Cost of living relief

Tax residency

# Low-and-Middle-Income tax offset

## \$420 increase

- 2021-22 is the last year
- Claimed upon lodging tax return, from 1 July 2022
  - Non-refundable

<b>Taxable income</b>	<b>LMITO</b>
Up to \$37,000	\$675
\$37,001 - \$48,000	Between \$675 and \$1,500
\$48,001 - \$90,000	\$1,500
\$90,001 - \$125,999	Between \$420 and \$1,500
\$126,000+	Nil

# Fuel excise

- Halved, 44.2c down to 22.1c
- Six months, to 28 September 2022
- Also cause slight reduction in GST component
- \$2.20 theoretically becomes \$1.96
- ACCC enforce passing on
- High-income as well as low-income earners benefit



# Tax residency

- Modernising tax residency rules for individuals
- Announced in last year's Budget
- Not yet enacted
- Labour mobility returning post-pandemic

# Business taxation

The background features a dark teal color on the left side, transitioning into a lighter teal on the right. Two parallel diagonal stripes in a darker shade of teal run from the bottom-left towards the top-right, creating a dynamic, modern aesthetic.

# Cashflow support, red tape reduction

- PAYG instalment uplift
  - Reduced from to 10% to 2%, 1 July 2022
  - Could vary down anyway
- New PAYG instalment system
  - Automated PAYG calc, based on business performance
  - 1 January 2024
- STP data shared with state/territory govts
  - Pre-fill payroll tax returns

# Cashflow support, red tape reduction

- Automated TPAR reporting
  - Activity statements
  - Displace annual
  - Construction, cleaning, road freight and courier services, information technology, and security, investigation and surveillance industries
- Manufacturers, importers, distributors in alcohol and fuel sectors
  - Turnover below \$50 million
  - Lodge and pay excise and equivalent customs duty on a quarterly basis
  - Replace monthly or weekly reporting

# Apprentice wage subsidy

## Extended to 30 June 2022

- Was due to end today
- Take on apprentice up to 30 June 2022

Year	Wage subsidy	Qtrly cap, per apprentice
1	50%	\$7,000
2	10%	\$1,500
3	5%	\$750

- Tip hiring decision where borderline business case

# Skills & training expenditure

## 120% deduction

- Group-wide turnover <\$50 million
- Bonus 20% tax deduction
- Eligible external training courses
- 29 March 2022 to 30 June 2024
- Administrative costs

# Skills & training expenditure

120% deduction

Expenditure incurred	Claim bonus 20% in this tax return		
	2021-22	2022-23	2023-24
Now to 30/6/22		✓	
2022-23 year		✓	
2023-24 year			✓

- For companies, leaves untaxed profit
  - No franking credits
  - Extract as unfranked dividend
  - Timing difference

# Technology investment expenditure

## 120% deduction

- Group-wide turnover <\$50 million
- Digital adoption expenditure. Eg:
  - Cloud computing
  - Cyber security
  - Web page design
  - E-invoicing
  - Portable payment devices
- 29 March 2022 to 30 June 2023



# Technology investment expenditure

## 120% deduction

- Existing temporary full deduction for depreciating assets
  - Timing difference
- Bonus 20% tax deduction
- Capped to \$100,000 expenditure in each of 2021-22 and 2022-23
- Eg, company, 25% tax rate:
  - $\$100\text{k} \times 2 \times 20\% = \$40,000 \times 25\% = \$10,000$  tax saving

# Technology investment expenditure

## 120% deduction

Expenditure incurred	Claim bonus 20% in this tax return	
	2021-22	2022-23
Now to 30/6/22		✓
2022-23 year		✓

- Administrative costs
- Again, for companies, leaves untaxed profit
  - Timing difference on extraction to shareholders

# Corporate tax residency

- Legislative clarification announced in 2020 Budget
- “Significant economic connection to Australia”
- No legislation yet

# Employee share schemes

- Unlisted companies
- Participants can invest up to:
  - \$30,000 per year, accruable for unexercised options up to 5 years, plus 70% of dividends & cash bonuses
  - Any amount, if would allow immediate advantage of planned sale or listing

# COVID-19 tests

- Work-related
- Deductible from 1 July 2021
- FBT exempt from 1 April 2021

# Farm Management Deposits

## Carbon credits

- FMDs
  - Smooth out tax liabilities over years
  - Deductible contributions
  - Assessable withdrawals
- From 1 July 2022, can contribute sourced from carbon credit sales
- Carbon credit sales no longer assessed by value increase
  - Only when sold

# Industry

Patent box expansion

Export Market Development Grant

# Patent box

- Announced last year
  - Medical and biotech innovations
- Special 17% company tax rate
  - From 1 July 2022
- Now extended:
  - 140 technology areas listed in 2020 Technology & Investment Roadmap Discussion Paper
  - Priority technologies in Government's Low Emissions Technology Statements
  - Eligible agricultural innovations
  - Wider range patent-granting authorities
- Timing difference, pay balance of tax upon extraction to shareholders



# Export Market Development Grant

- Encourages marketing goods and services overseas
- 50% grant of export promotion expenditure
- Additional \$80 million funding
- Applications due by 30 November *inside* the income year, ie
  - Applications for current 2021-22 year closed 30 November 2021
  - Applications for 2022-23 year close 30 November 2022

# Other measures

Superannuation

ATO Tax Avoidance Taskforce

# Superannuation

## Minimum pension draw-down

- Self-funded retirees
- Extension of halved draw-down percentages
- To 2022-23

Age	Default rate	Reduced rate, to 2022-23
Under 65	4%	2.0%
65-74	5%	2.5%
75-79	6%	3.0%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95+	14%	7.0%

# Superannuation

## Previously announced measures

- Abolition of work test for 67-74 years old
- Remove \$450/mth threshold for employer super guarantee
- First Home Super Saver Scheme
  - \$50,000 withdrawal cap (up from \$30,000)
- Self-managed funds
  - 6 members (up from 4)
- Residency of super funds

# ATO tax avoidance taskforce

## Extended funding

- Reviews and audits:
  - Multinationals
  - Large public and private groups, trusts
  - High-wealth individuals
- Programs include:
  - Justified Trust
  - Top 1,000 public groups
  - Medium & Emerging Private Groups
- Tax risk management

# 2022 Budget

## Wrap up

- Debt still funding recurring expenditure
- Still lack of structural reform
- At least, better position than we were bracing for in 2020 and 2021
- Limited sitting for Parliament
- Subject to election outcome
  - If a change in government, new Budget later this year
  - Different decisions

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# Thank you

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