



## 2022 Budget Wrap

### What's in it for you and your business?

The 2022/23 Budget was handed down last night by the government.

While there was some targeted, boutique assistance for small business, the Budget was very much focused on addressing cost of living pressures faced by individuals and families. In a departure from recent years, the Budget was relatively silent on the superannuation front.

For more details and advice on these and other Budget proposals and how they may impact you or your business – noting that each measure is generally subject to the passage of legislation through Parliament – touch base with your advisor.

*Continued overleaf* ⇌

#### About this newsletter

Welcome to Ibbotson + Moscatelli's client information newsletter, your monthly tax and super update keeping you on top of the issues, news and changes you need to know. We invite you to read our monthly update and contact our office if you have any queries.

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The headline measures included:

### **20% Additional Deduction for Skills Training and Digital Adoption**

Businesses with a turnover of less than \$50 million stand to receive a 20% uplift in deductions (on what they would normally be entitled to) for eligible expenditure on external training courses and digital technology. This 20% boost applies to expenditure incurred from the time of last night's Budget until 30 June 2023 for digital adoption, and until 30 June 2024 for skills training. Some exclusions apply.

### **Apprentice Wage Subsidies Extended**

The Boosting Apprenticeship Commencement (BAC) and Completing Apprenticeship Commencements (CAC) wage subsidies will be extended by three months to 30 June 2022. Additionally, funding has been set aside over five years to introduce a new Australian Apprenticeships Incentive System from 1 July 2022 to support employers and apprentices in 'priority occupations'.

⇒ *This is welcome news for employers and apprentices alike.*

### **Reduction in GDP Uplift Factor for PAYG and GST Instalments for 2022/23**

This will be pegged at 2% for 2022/23. This is significantly lower than the 10% that would otherwise have applied under the statutory formula. It will apply to small to 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).

⇒ *For background, each year the ATO adjusts GST and PAYG instalment amounts your business may be required to pay using a formula known as the gross domestic product (GDP) adjustment. This is*

*based on data published by the Australian Bureau of Statistics.*

*This measure may provide real cash flow relief for eligible businesses in the coming financial year.*

### **PAYG instalments: Option to Base on Current Financial Performance**

Companies will be permitted to opt to have their PAYG instalments calculated based on current financial performance (as opposed to past year/past period performance) extracted from business accounting software.

⇒ *While this measure is welcome, reflecting real time business performance, it is anticipated that this will not come on stream until 1 January 2024.*

### **Employee Share Schemes for Unlisted Companies – Thresholds Amended**

The investment thresholds for unlisted companies in respect to employee share schemes (ESS) will be changed. Where employers make larger offers in connection with ESS in unlisted companies, participants will be able to 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.

The regulatory requirements for offers to independent contractors will also be removed where they do not have to pay for interests.

No date of commencement was announced.

⇒ *ESS are becoming increasingly popular as a way to incentivise employees by (at least in part) tying their remuneration to the performance of the business.*



In a Budget targeting the hip pocket, some of the big-ticket measures were:

#### **LMITO Increased**

The low and middle income tax offset (LMITO) will increase by \$420 in 2021/22. Thus, eligible individuals may receive a tax offset of up to \$1,500 upon lodgement of their upcoming 2021/22 tax returns. This will be for those earning between \$48,001 and \$90,000 but phasing out up to \$126,000.

⇒ *Depending on your personal tax position, this could certainly act as an incentive to get those tax returns lodged early this upcoming tax season.*

#### **\$250 Cost of Living Payment**

A once-off, tax exempt, cost of living payment will be made to six million eligible pensioners, welfare recipients, veterans and eligible concession card holders.

⇒ *This will provide immediate relief as the payment is made next month (April 2022).*

#### **COVID Test Expenses Deductible**

As announced last month, the cost of taking a COVID test (PCR or RAT) to attend work will be tax deductible, dating back to 1 July 2021. There's also relief for employers in that FBT will not apply where COVID tests are provided to employees in this context.

⇒ *Employees and employers should retain proof of their expenditure (e.g. receipts).*

#### **2022/23 Income Tax Rates Unchanged**

The tax rates for the upcoming financial year remain unchanged from the current year.

The next round of personal income tax cuts, which have already been legislated, will not come into effect for another couple of years (from 1 July 2024).



#### **Temporary Reduction in Fuel Excise**

This has been reduced by 50% for a period of six months. If passed on in full, it will result in the excise (and the price of fuel) being reduced by just over 22 cents per litre. This takes effect immediately from 30 March 2022.



#### **Relief for First Home Buyers**

The Home Guarantee Scheme will expand by it being made available to 50,000 individuals/couples each year. This scheme helps those eligible clear perhaps the main hurdle in entering the housing market – saving for a deposit. Under the scheme, eligible first home buyers can with the assistance of government obtain a loan to build a new home or purchase a newly-built home with a deposit of as little as 5%.

This information is general in nature. It has been prepared without taking into account your objectives, personal or business circumstances, financial situation or needs.

Because of this, you should, before acting on this information, consider in consultation with your adviser, its appropriateness, having regard to your objectives, personal or business circumstances, financial situation and needs.

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# Superannuation

Compared to recent years, the Budget was relatively mute on this front, with only two items of note:

**Pension Drawdowns – 50% Reduction Extended to 2022/23**

This reduction to minimum annual drawdown amounts for superannuation pensions and annuities will be extended by a further year to 30 June 2023. This is aimed at avoiding the scenario where retirees are forced to sell assets, in the prevailing volatile economic climate, to satisfy the standard drawdown percentage requirements.

⇒ *Of course, this measure will only prescribe a minimum. Recipients are permitted to draw down more than this if they so choose.*

**Super Guarantee Increase to Proceed**

There was no indication that amending legislation would be introduced to repeal the existing law that will see the SG rate increase to 10.5% (up from the current 10%) from 1 July 2022. SG applies to an employee's (and to some contractors) ordinary time earnings.

⇒ *Employers will need to factor this extra cost into their budgets depending on how existing employment remuneration arrangements are structured. Speak to your advisor if uncertain.*

**Other 1 July Changes**

Although not announced in the Budget, be mindful of other superannuation changes coming on stream from 1 July 2022 including:

- Bring-forward non-concessional cap extended to anybody under 75 (subject to Total Superannuation Balance)
- Work test requirements abolished for 67-74 year olds in respect of making or receiving personal and salary sacrificed contributions
- \$450 per month income threshold abolished for SG contributions – those earning below this amount may now be eligible for SG
- Reduction to age 60 (down from 65) for the home downsizer contribution scheme
- Increase on voluntary contribution release amounts under the first home super saver scheme from \$30,000 to \$50,000.

## **i** Further information

These are the just the headline measures! The full Budget papers can be found at [www.budget.gov.au](http://www.budget.gov.au)

If you have any questions about what was contained in the Budget and how it may impact you or your business moving forward, contact your advisor.