

The Aussie Federal Budget - 2022/23

ALL THINGS PERSONAL (INCOME TAX)

• Increase to Low and Middle Income Tax Offset (LMITO)

The Government announced a **once-off \$420 'cost of living tax offset'** for the **2022 income year only** (ie not expected to extend for the 2023FY), which will be provided by way of an increase to the existing LMITO. This will increase the maximum LMITO benefit to **\$1,500 for individuals** and **\$3,000 for couples**, and will be paid from 1 July 2022 when Aussies submit their tax returns for the 2022 financial year.

Other than those who do not require the full offset to reduce their tax liability to zero (lucky things), **all LMITO recipients will benefit from the full \$420 increase** (420 - who got to come up with that figure?). All other features of the LMITO remain unchanged.

A helpful table below reflecting taxable income and entitlement under the new once-off 420 Cost of Living Tax Offset:

Taxable Income	2022 Current LMITO	Plus Cost of Living Tax Offset
\$0 - \$37,000	\$255	\$420
\$37,001 - \$48,000	\$255 + 7.5% of excess over \$37,000	\$420
\$48,001 - \$90,000	\$1,080	\$420
\$90,001 - \$125,999	\$1,080 - 3% of excess over \$90,000	\$420
\$126,000 +	Nil 😞	Nil 😞

• Medicare Levy Low-income Thresholds Increase

The Government will increase the Medicare levy low-income thresholds for seniors/pensioners, families and singles **from 1 July 2021** per below and for each dependent child or student, the family income thresholds will increase by a further \$3,619 instead of the previous \$3,597 amount:

- The threshold for **singles** will be increased from \$23,226 to \$23,365.
- The **family** threshold will be increased from \$39,167 to \$39,402.
- For **single seniors and pensioners**, the threshold will be increased from \$36,705 to \$36,925.
- The **family threshold for seniors and pensioners** will be increased from \$51,094 to \$51,401.

• COVID-19 Test Tax deductibility

I bet you didn't think all those months ago when you were having a Covid-19 test swab up your nostrils that you might be able to claim that expense in your tax! We really are the lucky country.

Costs of taking a COVID-19 test to attend a place of work are tax deductible for individuals **from 1 July 2021**. In making these costs tax deductible, the Government will also ensure FBT will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose.

ALL THINGS BUSINESS (INCOME TAX)

• A Boost To Technology Investment

The Government will introduce a technology investment boost to support digital adoption by small and medium-sized businesses. The boost will apply to eligible expenditure incurred **from 7:30pm (AEDT) on 29 March 2022 (i.e. Budget night - or wine & cheese night as some Accountants call it) until 30 June 2023.**

Small and medium-sized businesses (with aggregated annual turnover of less than \$50 million) will be able to **deduct an additional 20% of expenditure** incurred on business expenses and depreciating assets that support their digital adoption (such as portable payment devices, cyber security systems or subscriptions to cloud-based services).

An annual cap will apply in each qualifying income year so that expenditure **up to \$100,000** will be eligible for the boost. (a max. additional deduction of \$20,000 per eligible year). The boost for eligible expenditure incurred by 30 June 2022, is claimed in the tax return for 2023 financial year (FY). For eligible expenditure incurred between 1 July 2022 and 30 June 2023, the boost is claimed in the 2023FY. (so nothing exciting to come of your 2022 tax return for this one, other than to keep good records of your eligible expenditure from wine & cheese night to 30 June 2022, claim the expense in 2022FY and then claim your boost for it in the 2023 financial year)

Accountants are loving this one & their role in claiming this boost for their eligible clients. For more info go to the ATO website link below or contact your Etica Bookkeeper or Accountant on 1300 781 356.

<https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses>

• Incentives to Up-skill your Workforce Team

The Government will introduce a skills and training boost to support small and medium-sized entities (SMEs) to train and up-skill their employees. The boost will apply to eligible expenditure incurred **from 7:30pm (AEDT) on 29 March 2022 (i.e. Wine & Cheese night) until 30 June 2024.**

SMEs (with aggregated annual turnover of less than \$50 million) will get an additional 20% deduction for the cost of external training courses provided to employees. There is no cap, but the course needs to be delivered in Australia or on-line and delivered by entities registered in Australia.

Some exclusions, such as in-house or on-the-job training and expenditure on external training courses for persons other than employees, will apply.

Again, eligible expenditure incurred by 30 June 2022, the boost will be claimed in the 2023FY. For eligible expenditure incurred between 1 July 2022 and 30 June 2024, the boost will be claimed in the income year in which the expenditure is incurred.

• All Things Digital

Xero and other accounting software providers/investors are going to LOVE this one!

Digitisation means more pre-filling, data-matching and data-sharing with the measures designed to reduce compliance costs for businesses, but also to make it easier for the ATO and other revenue authorities to data-match and share information. They include:

The PAYG Instalment System Modernised - The Government will enable companies to **choose** to have their PAYG instalments calculated based on the extracted 'real time' financial performance from their accounting software, with of course, some tax adjustments. A move that will support business cash flow by ensuring instalments reflect current performance.

Reporting of Your Taxable Payments Reporting System data - The option for businesses to report Taxable Payment Reporting data electronically, at the same time as BAS. A real game changer for some and welcomed by Bookkeepers. Subject to advice from software providers about their capacity to deliver, it is anticipated that systems will be in place by 31 December 2023, with the measure to **commence on 1 January 2024.**

Sharing of Single Touch Payroll (STP) data - Sharing STP information with revenue offices to pre-fill payroll tax returns is the end goal. Another one welcomed by many accountants and bookkeepers alike and one that will assist the ATO (of course) to 'reconcile' more accurately, the income of an individual and the declaration to the ATO of this paid income by the employer.

• **COVID-19 Business Grants Non-assessable Non-exempt**

Payments from certain state and territory COVID-19 business support programs will be made non-assessable non-exempt income ('NANE') for income tax purposes **until 30 June 2022**. We kind of knew this already, as this was originally announced on 13 September 2020, but it was super kind of the Government to confirm/clarify for us.

They've made the following state and territory grant programs eligible under this announcement:

- New South Wales Accommodation and Support Grant.
- New South Wales Commercial Landlord Hardship Grant.
- New South Wales Performing Arts Relaunch Package.
- New South Wales Festival Relaunch Package.
- New South Wales 2022 Small Business Support Program.
- Queensland 2021 COVID-19 Business Support Grant.
- South Australia COVID-19 Tourism and Hospitality Support Grant.
- South Australia COVID-19 Business Hardship Grant.

• **Small Business Support Package**

The Government will provide funding over three years from 2021/22 to deliver initiatives to support small businesses, including:

- \$10.4 million over two years from 2022/23 to enhance and redesign the Payment Times Reporting Portal and Register to improve efficiency and reporting;
- \$8.0 million in 2022/23 to the Australian Small Business and Family Enterprise Ombudsman to work with service providers to enhance small business financial capability;
- \$4.6 million over two years from 2021/22 to support the New Access for Small Business Owners program delivered by Beyond Blue to continue to provide free, accessible, and tailored mental health support to small business owners; and
- \$2.1 million over two years from 2021/22 to extend the Small Business Debt Helpline program operated by Financial Counselling Australia to continue to provide financial counselling to small businesses facing financial issues.

OTHER EXCITING ANNOUNCEMENTS

• **Varying the Gross Domestic Product (GDP) Uplift Factor For Tax Instalments**

The Government has decided to set the GDP uplift factor for PAYG and GST instalments at 2% for the 2023 income year. This uplift factor is lower than the 10% that would have applied under the statutory formula. So a huge thanks to the Government for varying this one.

This will apply to SMEs eligible to use these instalment methods (up to \$10 million annual aggregated turnover for GST instalments and \$50 million annual aggregated turnover for PAYG instalments) for the 2022-2023 income year.

• Reduction in Minimum Drawdowns Extending

The Government will extend the 50% reduction of superannuation minimum drawdown requirements for account-based pensions (ABP) and similar products for a further year to 30 June 2023. "We recognise the valuable contribution self-funded retirees make to the Australian economy and the sacrifices they made to provide for their retirement," Mr Frydenberg said. Nawwww, thanks Josh!

The reduced minimum percentage factors used to calculate the minimum annual pension amount under the *Superannuation Industry (supervisions) Regulations 1994 Schedule 7*, are set out in the following table for the 2023FY. There are a few variables if your ABP or Transition to Retirement Income Stream (TRIS) commences or ceases part-way through the 2023 income year, so be sure to get in touch with your accountant if you fall into this category.

Recipient's Number of Cake Days	Minimum % Factor	Reduced Minimum % Factor
Under 65	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 and above	14%	7%

• Getting Their Tech-savy on, with Trust Income Reporting and Processing

The Government will digitise trust and beneficiary income reporting and processing by allowing all Trust return filers the option to lodge income tax returns electronically, increasing pre-filling and automating ATO assurance processes. Trust income reporting has not been automated to the same extent as individual and company tax returns as most Accountants at least will know, and the idea is to reduce the compliance burden and processing times, as well as enhance ATO processes.

It is **proposed to commence from 1 July 2024**, subject to advice from software providers about their capacity to deliver.

• Cost of Living Payment

The Government will provide a one-off \$250 cost of living payment to help eligible recipients with higher cost of living pressures. The payment will be made in **April 2022** to eligible recipients of the following payments and to concession cardholders:

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 holders; Commonwealth Seniors Health Card holders; Eligible Veterans' Affairs payment recipients and Veteran Gold cardholders.

The payments are exempt from tax and won't count as income support for the purposes of any income support payment. Woo hoooo! Though, you can only receive one economic support payment, even if you are eligible under more categories outlined above. The payment is only available to Australian residents.

• Reduction in Fuel Excise (temporary of course)

The Government will kindly help reduce the burden of higher fuel prices by halving the excise and excise-equivalent customs duty rate that applies to petrol and diesel, and all other fuel and petroleum-based products (except aviation fuels of course), for six months. This measure will **commence from 12.01am on 30 March 2022 and will remain in place for six months.**

For more information on the 2022/23 Federal Budget go to budget.gov.au