

# *Our Expert Analysis*



# 2022 Federal Budget White Paper

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## 2022 Federal Budget White Paper

### Introduction

Treasurer Josh Frydenberg has handed down his latest (and potentially last) budget continuing the Coalition's theme from recent budgets of building resilience in the economy to fund economic and wages growth. The Coalition Government has continued to spend money - this time to assist with increased living costs through one-off payments (although this is the last year of the "lamington") and temporary relief in petrol excise.

The budget deficit is lower than forecasted largely due to revenue raised from commodity prices combined with the impact of higher employment. This has provided the Government with the opportunity to provide targeted one-off payments to address 'cost of living' pressures whilst seeking to balance the impact on the economy and inflation.

From a taxation perspective, yet again the opportunity for reform was ignored. Specific changes related to previously identified pain points together with certain targeted measures were announced. This includes:

- > Additional deductions for spending on training and digital technologies for small companies; and
- > Expansion of patent box regime.

The above has been supplemented by:

- > Temporary cash handouts; and
- > Confirmation of the previously announced stage three tax cuts which take effect from 2024-25

The Omicron wave with Covid lingering, record breaking floods in NSW and QLD plus a volatile war between Russia and the Ukraine have resulted in more pain for Australians. We have higher commodity prices and inflationary pressures which creates a nervousness in the Australian economy. Nervousness is not good for election campaigning. The Coalition Government are trying to 'play Santa' in the hope the opinion polls swing in their favour.

As always, the Budget will be debated in Parliament, on social media and in feisty TV interviews. If you want to understand the true story on how this Budget will affect your business or you personally, please reach out to your ESV Engagement Partner. We are here to help and remain focussed on being your partner for growth.



**Money is being splashed around as we head into campaigning for the Federal Election ... mind you, the date is still to be confirmed!**

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# Personal Tax

## Personal Income Tax Rates

There are no changes to the individual income tax rates. They remain as follows:

### Australian tax residents (excluding Medicare)

Rate (%)	Current thresholds Income range (\$)	Thresholds from 1 July 2024 Income range (\$)
Tax free	0 - 18,200	0 - 18,200
19	18,201 - 45,000	18,201 - 45,000
30	N/A	45,001 - 200,000
32.5	45,001 - 120,000	N/A
37	120,001 - 180,000	N/A
45	> 180,000	> 200,000

### Non- residents

Rate (%)	Current thresholds from 1 July 2020 Income range (\$)	Thresholds from 1 July 2024 Income range (\$)
Tax free	N/A	N/A
19	N/A	N/A
30	N/A	0 - 200,000
32.5	0 - 120,000	N/A
37	120,001 - 180,000	N/A
45	> 180,000	> 200,000

# 1

The *lamington* gets a parting boost.

# 2

50% decrease in fuel excise.

# 3

Focus on help with rising 'cost of living'.

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### Low and middle income tax offset (aka the lamington)

The Government have increased the LMITO in its final year. The increase in the tax offset will take the maximum benefit up to \$1,500 for individuals or \$3,000 for dual income couples. For an individual, the offset starts to phase out over \$90,000 until it reduces to nil at a taxable income of \$126,000.

The LMITO will be received on assessment, after individuals lodge their tax returns for the 2021-22 income year and will not be available in subsequent tax years.

Pensioners, veterans and concession card holders are to receive a one-off payment of \$250.

### Covid-19 test expenses deductible

In a sign of the times, the costs of taking a Covid-19 test to attend a place of work are tax deductible for individuals with effect from 1 July 2021. The expectation is that this is aimed at the cost of rapid antigen tests (RAT's) where they are a requirement for an employee to attend their place of work.

There will be amendments to the Fringe Benefits Tax rules to mirror the position above, such that employers who provide RAT's to employees are not considered to be providing a taxable benefit.



### Fuel Excise

As part of providing its cost of living relief measures, the Government have announced a reduction of the fuel excise of 50%. As such, the amount of excise on a litre of fuel will be lowered to 22c for the next 6 months saving the average motorist approximately \$700 over the 6-month period.

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### Paid Parental Leave

In changes to the paid parental leave scheme, the existing payment scheme of two weeks “Dad leave” and 18 weeks of Parental leave will be combined into a single 20-week scheme, with parents now choosing to split the leave between them as they see fit. Single parents will now be able to access the full 20 weeks of leave.

The income threshold for eligibility will be increased to \$350,000 per household.

### First Home Buyers

The Federal Government has announced an expansion to its first home buyers’ scheme under which people will only need a 5% deposit to buy a house with no lenders mortgage. The scheme is expanded with places increasing from 10,000 to 35,000 annually.



### Apprentices

A new incentive scheme is being created for apprentices under which they can receive \$5,000 for priority occupations (what is a priority occupation is still to be announced). Employers can also receive wage subsidies for taking on apprentices ranging from 10% to 5% over the 4-year cycle. The subsidies are scheduled to change to an incentive with effect from July 2024.

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### Superannuation

For the first time in a long time there are no major changes to superannuation. The temporary 50% reduction in minimum annual payment amounts for superannuation pensions and annuities has been extended by a year to 30 June 2023.

It is noted that there was no change announced in relation to the scheduled increase of the next super guarantee rate increase (ie the change to 10.5% will take effect from 1 July 2022).

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# Business Tax

The Government continues to focus on small business and is seeking to provide further incentives to these businesses to invest in the training of individuals and digital technologies.

### Training Incentives

Small businesses (aggregated turnover of less than \$50m) are being incentivised to spend money on training staff through an additional tax deduction. For every \$100 spent on training, a small employer will receive a tax deduction of \$120.

The additional deduction is for external training costs incurred with entities registered in Australia, however, it is not available for on-the-job training or internal training costs. The uplift in deduction will be available for expenditure incurred from 7.30pm on 29 March to 30 June 2024. There is currently no guidance on whether this concession will be subject to a cap.

### Digital Technologies

Small businesses (aggregated turnover of less than \$50m) will also be eligible for an additional tax deduction for expenditure incurred on digital technologies such as portable payment devices, cyber security and cloud computing, with the incentive capped at a spend of \$100,000 per year. For every \$100 spent, a small business will receive a tax deduction of \$120. The incentive will operate from 7.30pm on 29 March to 30 June 2023.

There is currently no guidance on how this incentive applies in conjunction with the full expensing of depreciating assets.

In relation to both of the above incentives, the additional tax deductions arising from expenditure incurred before 30 June 2022 will be able to be claimed in the tax return for the following year (ie 30 June 2023). The additional tax deductions arising in the following income year(s), will be able to be claimed in the return for those year(s).

**1**  
Small businesses  
being incentivised

**2**  
Focus on training

**3**  
Digital technologies

**4**  
Patent Box

**5**  
Employee share  
schemes

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### Patent Box

As part of the Governments drive to increase Australia's research and development industries it has announced an expansion of "Patent Box". The regime will be expanded to include corporate taxpayers who commercialise:

- > eligible patents linked to agriculture and veterinary chemicals; and
- > patented technologies which have the potential to lower emissions.

The Patent Box is a mechanism under which a concessional rate of tax is applicable for income derived from Australian-developed patents.

### Employee share schemes

The Government are set to increase access to employee share schemes for certain Australian businesses. Unlisted companies will be able to make larger offers to participants which would allow them in some cases to invest up to:

- > \$30,000 each per year (accruable for unexercised options for up to 5 years), plus 70 percent of dividends and cash bonuses; or
- > Any amount if it would enable them to immediately take advantage of a planned sale or listing of the company.

Regulatory requirements will also be removed for offers made to independent contractors who are issued with shares or options that they do not have to pay for.

There is no date of effect specified in relation to this change.





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### Other Reporting Changes

#### Tax Instalment System

New measures are to be introduced to leverage technology to automate tax reporting requirements and align instalment payment obligations with the financial performance of businesses. The aim is to allow companies to calculate PAYG instalments based on financial performance with data extracted from business accounting software. Timing of the implementation of this change will be technology dependent, with initial indications of a commencement date of 1 January 2024.

#### Automation Payroll Tax

- > The Government will facilitate the sharing of single touch payroll data with the various States and Territories to enable the pre-filling of payroll tax returns.

#### Trust Income

- > Trusts will have the option to lodge income tax returns electronically, with this compliance saving measure anticipated to be available from 1 July 2024. This measure will facilitate electronic lodgement for up to 30,000 trusts that currently lodge returns by paper.

#### Alignment of Excise and Other Reporting

- > Manufacturers, importers and distributors in the alcohol and fuel sectors with an annual turnover of less than \$50 million will be able to lodge and pay excise and excise-equivalent customs duty on a quarterly basis, from 1 July 2023.



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### ESV Services

At ESV, we know how important your business is to you. We'll work closely with you on the parts of your company that matter most, taking a client-focused, hands-on approach to all of your business and accounting needs.

Coming from a range of business and financial backgrounds globally, our Partners have extensive experience working alongside businesses of all shapes and sizes. These include some of the world's largest organisations and multinationals to fast-paced start-ups and successful family businesses.

This breadth of experience – coupled with their specialist knowledge in a wide range of accounting and business services – allows our partners to take a proactive approach to all your needs, no matter how challenging.

Our services include:

- > Audit & Assurance
  - Process and systems improvement
  - Fraud and risk management
  - Due diligence
- > Business Advisory
  - M&A assistance
  - Budgeting and cash flow forecasting
  - Investment / property modelling
  - Family Office management
  - Governance, risk and compliance management solutions
  - Outsourced CFO / CFO support
  - Succession and estate planning
- > Taxation
  - Tax structuring & transactional advice
  - Tax mitigation and risk reviews
  - Strategic tax planning
  - Outsourced Tax Director
- > Process improvement
- > Fraud & risk management
- > Director services
- > Not for profit
- > Doing business in Australia



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### Your Budget Expert



"Understanding tax consequences can have a significant impact on your business and cash flow."

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David leads ESV's Tax Consulting practice and is a market leader in providing taxation services to large and mid-sized businesses, family groups and high net wealth individuals. He has over 25 years' experience in the provision of taxation services including time at the 'Big 4' accounting firms in the UK and Australia and an 'in-house' stint at one of Australia's largest FMCG companies.

His specialist services includes; Corporate and Family Groups, Private Client Services, Tax Consolidations, Trusts, Structuring and Restructuring, International Tax including Thin Capitalisation, Due diligence for Mergers and Acquisitions and IPO, Tax Governance and Risk Management, Taxation of Financial Arrangements, Tax Controversy, Capital Gains Tax and Tax Training. David also acts for a number of clients in the role of 'Outsourced Tax Director' to provide specialist tax advice when a team needs it most.

David has extensive experience working with clients in a wide variety of industries including manufacturing and distribution, FMCG, IT and technology, professional services, energy, resources and property. He also works closely with the ESV Forensic team, providing expert reports in support of various matters.



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