

2022 Federal Budget - What It Means for You

INFORMATION: WHAT THE 2022 FEDERAL BUDGET MEANS FOR YOU

With a Federal Election due in the next 8 weeks, the Morrison Government has just made its bid for re-election with the following headline announcements in its Federal Budget released on Tuesday 29 March 2022:

- Petrol tax slashed by 22 cents per litre for 6 months from Budget night.
- 10 million low and middle-income earners will receive a once-off bonus tax rebate of \$420 – giving a total of \$1,500 to eligible individuals after they lodge their 2022 Tax Return.
- A \$250 one off payment to six million pensioners and welfare recipients.

There were no changes announced to tax rates or superannuation laws, which was very much welcomed.

Millions of small businesses (annual turnover of less than \$50 million) will be eligible for the new Technology Investment Boost, which offers a bonus 20% tax deduction for costs such as online sales platforms, cloud computing, portable payment devices and cyber security systems.

Based on our analysis, the big winners appear to be:

- Tradies – New wage subsidies to employ apprentices.
- Low to middle income taxpayers – An increase to a tax offset available after they lodge their 2022 Tax Return.
- Small Business – New 120% tax deductions will be available for training for employees and for digitising a business.

There are a number of key areas we would like to make you aware of:

SMALL BUSINESS OWNERS (TURNOVER UNDER \$50 MILLION)

Key Point	Benefit to You
<p>Technology Investment Boost</p> <p>To encourage small business to go digital, a bonus 20% tax deduction will be allowed for expenses and assets that support digital uptake, including portable payment devices, cyber security systems, web page design and cloud software subscriptions. An annual expenditure cap of \$100,000 applies to this boost. This lasts from 29 March 2022 until 30 June 2023.</p>	<p>Less Tax to Pay Next Year in 2023</p> <p>Expenses incurred before 30 June 2022 can only be claimed in the 2023 Tax Return.</p> <p>NOTE: These expenses will need to be carefully tracked so you can claim the maximum deduction.</p>
<p>Skills and Training Boost</p> <p>To encourage small business to upskill their employees, a bonus 20% tax deduction will be allowed for external training courses provided to employees. Training must be delivered by an Australian registered entity and may be online. In-house training is excluded. This lasts from 29 March 2022 until 30 June 2024.</p>	<p>Less Tax to Pay Next Year in 2023</p> <p>Expenses incurred before 30 June 2022 can only be claimed in the 2023 Tax Return.</p> <p>NOTE: These expenses will need to be carefully tracked so you can claim the maximum deduction.</p>
<p>Lower PAYG Tax Instalments</p> <p>From 1 July 2022, the Government will use an uplift factor of 2% on last year's tax payments (reduced from 10%) for quarterly PAYG Tax payments.</p>	<p>Better Cashflow with Less Tax to Pay</p> <p>This reduces the pre-payment of tax for your current income year.</p>

BUSINESS OWNERS

Key Point	Benefit to You
<p>Employee Share Scheme Access Expanded</p> <p>For employers that make larger offers in connection with employee share schemes in unlisted companies, participants can invest in:</p> <ul style="list-style-type: none"> • \$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 the to immediately take advantage of a planned sale or listing of the company to sell their purchased interests at a profit. 	<p>Better Incentives for Your Staff</p> <p>Better opportunity for your staff to benefit from your business success and incentives to improve their performance.</p>

Key Point	Benefit to You
<p>Apprentice Wage Subsidy Support Extended</p> <p>Any employer who takes on an apprentice or trainee up until 30 June 2022 can receive:</p> <ul style="list-style-type: none"> • 50% of the apprentice's wages in the first year, capped at a maximum amount of \$7,000 per apprentice per quarter, • 10% of the apprentice's wages in the second year, capped at a maximum amount of \$1,500 per apprentice per quarter, and • 5% of the apprentice's wages in the third year, capped at a maximum amount of \$750 per apprentice per quarter. 	<p>Benefits to You for Employing Apprentices</p> <p>Cash subsidy to you for hiring apprentices and trainees.</p>
<p>Temporary Full Expensing finishing on 30 June 2023</p> <p>If your business turnover is less than \$5 billion, you can deduct the full cost of eligible depreciating assets of any value.</p>	<p>This could significantly reduce tax payable and could result in significant tax refunds for you.</p> <p>An immediate full deduction for the cost of these assets will reduce your 2022 or 2023 tax. If you purchase enough assets to create a tax loss this year, combining this with the Loss Carry Back could give you significant tax refunds of tax paid in prior years.</p>

INDIVIDUALS

Key Point	Benefit to You
<p>\$420 increase in Low and Middle Income Tax Offset (LMITO)</p> <p>The combined \$420 and existing LMITO of \$1,080 gives eligible individuals a tax reduction of up to \$1,500 for a single or \$3,000 for a couple.</p>	<p>Tax Refund for You</p> <p>A larger tax refund to ease the current cost of living pressures.</p> <p>NOTE: You only receive this after you lodge your 2022 Tax Return. It is a tax offset, meaning it only refunds any tax you have already paid. If you haven't paid any tax, then you don't get this.</p>
<p>\$250 cost of living payment</p> <p>A one-off payment of \$250 will be automatically paid to individuals who are currently receiving Australian Government social security payments.</p>	<p>Cash for you</p> <p>Cash to ease the current cost of living pressures.</p>
<p>50% minimum Super drawdown extended</p> <p>The 50% reduction of the superannuation minimum drawdown requirements for account-based pensions will be extended for another 12 months,</p>	<p>Larger Super Balance</p> <p>Allows individuals to keep more in their super account if they currently don't need the cash.</p>

Key Point	Benefit to You
<p>COVID-19 Test Costs Tax Deductible</p> <p>Costs of taking a COVID-19 test to attend a place of work will be tax deductible for individuals and exempt from fringe benefits tax from 1 July 2021.</p>	<p>Tax Refund for You</p> <p>New tax deduction to claim in your 2022 Tax Return.</p> <p>You will need to keep receipts as evidence to back up your claim.</p>
<p>Home Guarantee Scheme Extended</p> <p>The number of guarantees under this scheme will be increased to 50,000 per year to assist home buyers who have a lower deposit.</p>	<p>Easier to Buy First Home</p> <p>Improved opportunity for first home ownership, enabling individuals to buy a home with a smaller deposit and without lender's mortgage insurance.</p>

NEXT STEPS

To get the maximum benefits from the new measures announced in the 2022 Federal Budget, please contact us to discuss 2022 Tax Planning.

Please note that if there is a change in Federal Government over the next 8 weeks, we would expect a new Government to release their own updated Budget. This may change some or all of the key announcements made in this Budget and may make new announcements which you may need to action if favourable to you.

With compliments,

AustAsia Accounting Services Pty Ltd