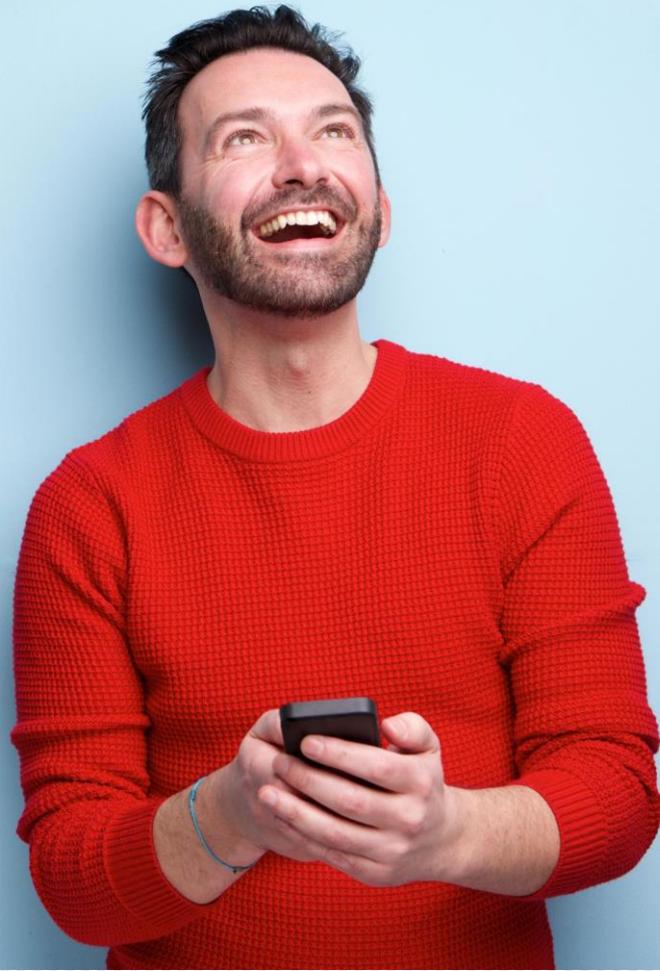


# 2022 FEDERAL BUDGET REVIEW

THURSDAY, 31 MARCH 2022





# OVERVIEW

- An election budget
- Short term view
  - Temporary cost of living adjustments
  - Job creation
- No longer term measures
  - Sustainable future?
  - True Tax reform
- What is not there?



# THEMES

- ▶ Bread for the masses
- ▶ Avoiding some of the hurdles of business
- ▶ Big Brother is watching, and he has a lot more money
- ▶ Infrastructure spending
- ▶ Regional grants
- ▶ Apprentice wage subsidy
- ▶ Incentivise onshore manufacturing
- ▶ Will we get the reform we need after the election?

# TODAY'S SPEAKERS



**Neil Billyard**

National Tax Leader  
BDO Australia



**Ally Flint**

Partner, Project &  
Infrastructure Advisory  
BDO Australia



**Catherine Dean**

Partner, Corporate Tax  
BDO Australia



**James Trainor**

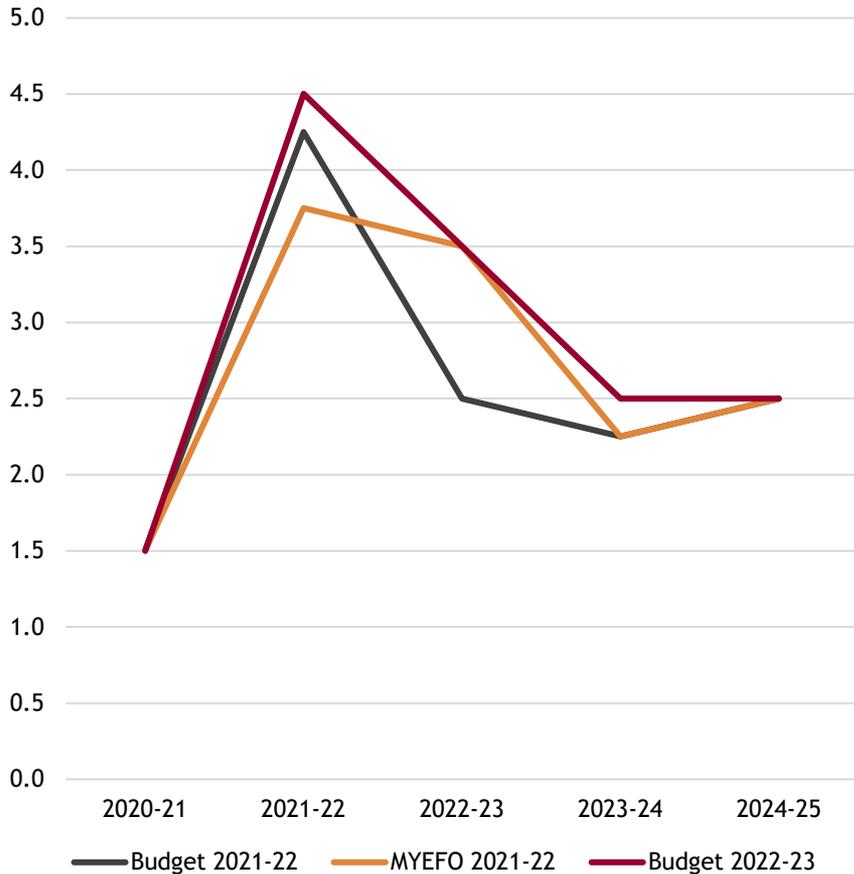
Partner, Employment  
Taxes  
BDO Australia



# POPULATION OUTLOOK

The Budget has revealed an optimistic outlook.

- Australia's population declined for the first time since World War I during the height of the pandemic
- This resulted in skill shortages and labour market tightening
- The main driver of this is a return to positive international migration by June 2022
- The Skilled Visa stream now accounts for nearly 70% of permanent migration
- This is expected to give a boost to the business sector, but may not be enough
- The Budget a low unemployment rate of 3.75% by June 2023
- Regional visa planning levels have been increased, making regional population growth likely



## REAL GDP

Economic growth has been revised upwards

- Real GDP has been revised upwards, driven by stronger-than-expected labour market conditions and consumer spending
- Consumption is expected to be supported by higher household incomes as unemployment decreases and wages growth increases
- Future growth in real GDP is expected to come from broad based increases in consumption, investment and exports. As well as being supported by public expenditure



# FEDERAL BUDGET CORPORATE TAX HIGHLIGHTS

- Fuel Taxes - Huge savings - Act now
- COVID Temporary incentives not extended
- Patent box expansion
- Extension of ATO Tax Avoidance Taskforce
- Miscellaneous Amendments
- Small business deductions boost
- Tax compliance changes
- Australian apprenticeships incentives
- Infrastructure spending

# FUEL TAXES - HUGE SAVINGS

## Temporary Fuel Excise reduction

- ▶ The Government has announced an immediate six month temporary reduction to fuel taxes. Fuel excise and excise-equivalent customs duty rates for petrol, diesel and other fuels (excluding aviation fuels) will be halved from 30 March 2022 to 28 September 2022
- ▶ This is part of a suite of measures addressing cost of living pressures and aims to deliver direct relief to the retail price of fuel. Should provide a cash boost as it reduces the cost of transport
- ▶ 50% Reduction of excise from 44.2 cents per litre to 22.1 cents per litre
- ▶ The price of fuel to consumers should reduce by 24.31 cents per litre after taking into account the GST levied on excise
- ▶ Reduction in excise will reduce any fuel tax credit entitlements for businesses
- ▶ As a practical matter - business should check 'pass through clauses' and pricing mechanisms in any commercial contracts sensitive to fuel costs/ fuel tax credits
- ▶ Expected to cost the Government \$2.975bn

# THE SUN SETS ON COVID TEMPORARY INCENTIVES

## Loss Carry Back

- ▶ Companies with aggregated turnover of less than \$5 billion may elect to carry back tax losses incurred in the 2020 to 2022 income years to the 2019 income year onwards
  - Losses carried back cannot be more than the earlier taxed profits
  - Loss carry-back amount must not generate a franking account deficit
  - If elect to apply receive a tax refund in the loss-making year equal to the amount which has been offset by the losses carried back
- ▶ Sunset date of 30 June 2023 not extended

# THE SUN SETS ON COVID TEMPORARY INCENTIVES

## Temporary Full Expensing and Instant asset write off

- ▶ Companies with aggregated turnover of less than \$5 billion entitled to elect to claim an immediate deduction for the cost of depreciating assets purchased after 7.30pm (AEDT) on 6 October 2020, and first used, or installed ready for use, by 30 June 2023
- ▶ Businesses with an aggregated turnover exceeding \$5 billion may also be entitled to an immediate deduction under the 'alternative test', which requires Australian income of less than \$5 billion, and the cost of depreciating assets for the 2017, 2018, and 2019 income years, to exceed \$100 million
- ▶ Sunset date of 30 June 2023 not extended
- ▶ Instant asset write off - companies with aggregated turnover less than \$500m
- ▶ No announcement yet on whether the instant asset write-off incentives will be reintroduced after the end of temporary full expensing

# PATENT BOX EXPANSION

## Corporate Taxpayers

- ▶ Centrepiece policy in terms of corporate tax
- ▶ The Government will expand its patent box tax regime from only applying to the medical and biotechnology sectors to also include the agricultural sector, and low emissions technology innovations
- ▶ Applies to medical and biotechnology sectors from 1 July 2022
- ▶ Expanded application to the agricultural sector, and low emissions technology innovations will apply from 1 July 2023
- ▶ Concessional tax rate 17% (decrease in the corporate tax rate of 13% for large businesses and 8% for small and medium enterprises)
- ▶ For ordinary income derived from exploiting Australian-owned and developed patents

# PATENT BOX EXPANSION

## Corporate Taxpayers

- ▶ Expanded application of patent box regime to include:
  - for medical and biotechnology innovations granted or issued after 11 May 2021 - will now include standard patents granted by IP Australia, utility patents issued by the US Patent and Trademarks Office (USPTO) and European Patents granted under the European Patent Convention (EPC)
  - innovations relating to commercialisation of registered agricultural and veterinary chemical products or plant breeders' rights granted or issued after 29 March 2022
  - low emission technology innovations - relating to the commercialisation of patented technologies granted or issued after 29 March 2022 which have the potential to lower emissions
- ▶ Pending industry expert consultation



## EXTENSION OF ATO TAX AVOIDANCE TASKFORCE

- Focus on Multinationals, large corporates and high-wealth individuals
- Extended by 2 years to 30 June 2025
- Already raised \$23 billion
- New investment of \$650m expected to raise \$2.1 billion

# MISCELLANEOUS AMENDMENTS

## ▶ Tax records education

- proposed new law offering alternative to payment of administrative penalty for failure to comply with record keeping obligations
- Commissioner can issue tax records education direction to complete approved record keeping course

## ▶ Intangible asset depreciation

- Taxpayers will be permitted to choose to self-assess the effective life of intangible depreciating assets rather than using the statutory effective life
- For assets start to hold on or after 1 July 2023
- Examples - standard patents, innovation patents, registered designs, copyrights, licenses, in-house software and telecommunications site access
- Can recalculate effective life where circumstances relating to use of asset changed
- Must recalculate if cost increases by at least 10% in a later income year



# SMALL BUSINESS ENTITIES

## Skills and training boost

- ▶ Aggregated annual turnover of below A\$50m
- ▶ Additional 20% deduction for expenditure on external training courses
- ▶ By Australian registered training entities
- ▶ From Budget night to 30 June 2024
- ▶ Expenditure to 30 June 2022 will claim boost in 2023 tax return
- ▶ Expenditure incurred between 1 July 2022 to 30 June 2024 included in year incurred

# SMALL BUSINESS ENTITIES

## Technology investment boost

- ▶ Aggregated annual turnover of below \$50m
- ▶ Additional 20% deduction for expenditure to support digital adoption including depreciating assets
- ▶ E.g. portable payments devices, cyber security systems, cloud based services
- ▶ Annual cap of \$100,000 p.a
- ▶ From Budget night to 30 June 2023
- ▶ Expenditure to 30 June 2022 will claim boost in 2023 tax return
- ▶ Expenditure incurred between 1 July 2022 to 30 June 2024 included in year incurred

# TAX COMPLIANCE CHANGES

- ▶ Modernisation of PAYG instalment systems
  - enable companies to choose to have PAYG instalments calculated based on current financial performance with tax adjustments
  - Aim support business cash flow - instalments reflect current financial performance
  - Expected start date 1 January 2024
- ▶ Smarter reporting of Taxable Payments Reporting System data to allow reporting for business on the same lodgement cycle as activity statements commencing 1 January 2024
- ▶ Digitalise trust and beneficiary income reporting and processing for trust tax returns
  - Expected start date 1 July 2024
- ▶ Sharing of Single Touch Payroll between ATO and State Revenue offices



# AUSTRALIAN APPRENTICESHIPS INCENTIVE REFORM

- ▶ Supporting employers and Australian apprentices
- ▶ Over \$2 billion in funding over 5 years
- ▶ Focus on priority occupations
- ▶ Including in regional and remote locations

# LIST OF INCENTIVES AVAILABLE

## For employers: From 1 July 2022 until 30 June 2024

Wage subsidy for employers of Australian Apprentices in Priority Occupations	10 per cent of wages for first and second year apprentices (up to \$1,500 per quarter) and 5 per cent of wages for third year apprentices (up to \$750 per quarter).	For employers of new or recommencing Australian Apprentices commencing in a Priority Occupation on the Australian Apprenticeship Priority List.
Wage subsidy for employers of Australian Apprentices in Priority Occupations in regional and remote locations	Additional 5 per cent of wages for first year apprentices (15 per cent of wages for first year apprentices (up to \$2,250 per quarter), 10 per cent of wages in the second year (up to \$1,500 per quarter) and 5 per cent of wages for third year apprentices (up to \$750 per quarter)).	For employers of new or recommencing Australian Apprentices commencing in a Priority Occupation on the Australian Apprenticeship Priority List who are located in regional or remote Australia (based on the ABS definition).
Hiring incentive for employers of Australian Apprentices not in a Priority Occupation	\$3,500 paid in two equal six-monthly instalments (\$1,750 each) after commencement.	For employers of new or recommencing Australian Apprentices commencing in an occupation that is not on the Australian Apprenticeship Priority List.

# LIST OF INCENTIVES AVAILABLE

## For Australian Apprentices: From 1 July 2022 until 30 June 2024

Australian Apprentice Training Support Payment	\$1,250 every six months over the first two years of the Australian Apprenticeship (up to \$5,000 in total).	Direct financial assistance for Australian Apprentices training in a Priority Occupation on the Australian Apprenticeships Priority List to support them to complete their training.
Living Away From Home Allowance	Up to 12 months of support at the first year rate of \$77.17 per week; a further 12 months assistance at the second year rate of \$38.59 per week; and a further 12 months assistance at the third year rate of \$25 per week.	Australian Apprentices undertaking a Certificate II or higher level qualification may be eligible for the Living Away From Home Allowance if they have to move away from their parental/guardian home for the first time to commence or remain in an Australian Apprenticeship, or are homeless.
Trade Support Loans* *The Government is pursuing amendments to the Trade Support Loans Act 2014 in order to expand access to all Australian Apprentices of the Australian Apprenticeship Priority List.	Loans of up to \$21,779 (2021-22) over the course of the Australian Apprenticeship.	Australian Apprentices may be eligible to receive financial support to assist with everyday costs while they undertake their training.

# LIST OF INCENTIVES AVAILABLE

## For employers: From 1 July 2024

Hiring incentive for employers of Australian Apprentices in a Priority Occupation	\$4,000 with \$1,000 paid at six months after commencement and \$3,000 paid at 12 months after commencement.	For employers of new or recommencing Australian Apprentices commencing in a Priority Occupation on the Australian Apprenticeship Priority List.
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## For Australian Apprentices: From 1 July 2024

Australian Apprentice Training Support Payment	\$750 every six months over the first two years of the Australian Apprenticeship (up to \$3,000 in total).	Direct Financial assistance for Australian Apprentices training in a Priority Occupation on the Australian Apprenticeships Priority List to support them to complete their training.
Living Away From Home Allowance	Up to 12 months of support at the first year rate of \$77.17 per week; a further 12 months assistance at the second year rate of \$38.59 per week; and a further 12 months assistance at the third year rate of \$25 per week.	Australian Apprentices undertaking a Certificate II or higher level qualification may be eligible for the Living Away From Home Allowance if they have to move away from their parental/guardian home for the first time to commence or remain in an Australian Apprenticeship, or are homeless.
Australian Apprenticeship Support Loans *Subject to amendments to the Trade Support Loans Act 2014.	Loans of up to \$21,779 (2021-22) over the course of the Australian Apprenticeship.	Australian Apprentices may be eligible to receive financial support to assist with everyday costs while they undertake their training.

# LIST OF INCENTIVES AVAILABLE

## Assistance for Australian Apprentices with Disability (ongoing)

Disability Australian Apprentice Wage Support (DAAWS)	\$104.30 per week for a full time Australian Apprentice, and on a pro-rata scale according to hours worked for a part-time Australian Apprentice.	Provides additional assistance to employers who employ an Australian Apprentice with disability in a Certificate II or higher level qualification.
Off-the-job Tutorial, Mentor and Interpreter Assistance	\$38.50 per hour (up to a maximum of \$5,500 per year)	Assistance for Tutorial, Mentor and Interpreter Services is available to Registered Training Organisation to support Australian Apprentices with disability who are experiencing difficulty with the off-the-job component of their Australian Apprenticeship because of their disability.

# \$7.1 BILLION TO TURBOCHARGE OUR REGIONS

- ▶ New Energy Security and Regional Development Plan
- ▶ Develop key regional areas and economies
- ▶ Investments in infrastructure, low emissions technology and energy production etc

## Investments include:

\$2.6 billion for projects in the Northern Territory;

\$1.7 billion for projects in North and Central Queensland;

\$1.5 billion for projects in the Pilbara region in Western Australia;

\$750 million for projects in the Hunter region in New South Wales.

# \$7.1 BILLION TO TURBOCHARGE OUR REGIONS

- ▶ Remaining funds to be invested in existing Govt regional projects:
  - \$678.0 million to upgrade and further seal sections of the Outback Way in the Northern Territory, Queensland and Western Australia
  - \$180.1 million to establish the Regional Australia Level Crossing Safety Program, delivering safety upgrades to level crossings in regional and rural areas
  - \$66.0 million to expand access and reduce out-of-pocket costs to magnetic resonance imaging services in rural and remote areas

# INDIVIDUALS

## Low and middle income tax offset (LMITO)

- ▶ Non-refundable tax offset
- ▶ Increase in 2021-22, then ends
- ▶ Maximum up \$420 from \$1,080 to \$1,500
- ▶ Paid with income tax assessments from 1 July 2022

Tax bracket	Proposed LMITO
\$0 - \$37,000	\$675
\$37,001 - \$48,000	\$675 + 7.5% of excess
\$48,001 - \$90,000	\$1,500
\$90,001 - \$126,000	\$1,500 less 3% of excess
Over \$126,001	Nil



# EMPLOYEE SHARE SCHEMES

Employee investors in companies

- Limited information
- Regulatory disclosure relief (unlisted):
  - Employees can pay up to \$30,000 pa
  - Accrue for unexercised options up to 5 years (\$150,000)
  - Plus 70% of dividends and cash bonuses
  - Unlimited investment pre-IPO or sale
- Relaxation of employer ESS disclosure requirements for contractors



# EMPLOYEES

## COVID-19 tests

- ▶ Prescribed COVID-19 tests tax deductible
- ▶ To attend a place of work
  - From 1 July 2021
- ▶ FBT exempt 'otherwise deductible' if employer provided
- ▶ Declarations needed
  - From 1 April 2021



# EXPATRIATES

Changes to visa rules to supplement Australia's workforce

- **Redistribute 10,000 Partner visa places to Skilled visas**
- **Refund Student and Working Holiday Maker visa fees**
- **Increase country caps for WHM by 30% in 2022-23**
- **Relax work restrictions for Student and WHM visas**



# EMPLOYERS

## Sharing Single Touch Payroll data

- ▶ Funding IT development to allow ATO to share STP data with state revenue offices
- ▶ States will need to commit to investment
- ▶ Ease payroll tax administration for employers through pre-fill

# QUESTIONS

THURSDAY, 31 MARCH 2022



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