

SK

Federal Budget 2022-23

Summary of tax and
superannuation measures

Contents

Summary	4
Federal Budget 2022-23 summary.....	4
Tax measures	4
Superannuation measures.....	5
Other measures	5
Outstanding Bills and draft legislation	5
Budget highlights	6
Personal tax.....	8
LMITO increased by \$420 for 2021-22 but not extended to 2022-23	8
Low-income tax offset (unchanged	9
Personal tax rates unchanged for 2022-23; Stage 3 start from 2024-25 unchanged	9
Medicare levy low-income thresholds for 2021-22.....	10
COVID-19 test expenses to be deductible	11
Updates to DGR recipients	11
Business tax	12
Skills, training and digital adoption deduction boosts for small business.....	12
Scope of concessional tax treatment of patent box income extended	12
PAYG instalments: option to base on financial performance	13
PAYG and GST instalment uplift factor: 2 per cent for 2022-23	13
Employee share schemes for unlisted companies: thresholds amended	13
More COVID-19 business grants designated non-assessable non-exempt income.....	13
Concessional tax treatment of carbon credit and biodiversity certificate income	14
Future Fund subsidiaries to be tax exempt.....	14
Tax compliance and integrity	15
ATO's Tax Avoidance Taskforce: extended operation, more funding.....	15
Digitalising trust income reporting	15
Taxable payments data reporting: option to link to BAS cycle	15
ABN measures deferred.....	15
STP data to be shared with States and Territories	15
Superannuation	16
Superannuation pension drawdowns - 50% reduction extended to 2022-23.....	16
Super Guarantee no change to legislated rate rise.....	17
Other measures	18

One-off \$250 cost of living payment.....	18
Temporary reduction in fuel excise	18
Company registration and lifecycle management system to be modernised	19
Streamlining the administration of fuel and excise requirements	19
Apprentice wage subsidy support extension.....	19
First Home Guarantee Scheme: additional places announced	19
Diplomatic and consular concessions extended	20

Summary

Federal Budget 2022-23 summary

On Tuesday, 29 March 2022, Treasurer Josh Frydenberg handed down the 2022-23 Federal Budget, his fourth Budget.

In an election Budget, the Treasurer announced a range of cost-of-living measures, including a one-off \$420 cost of living tax offset for low- and middle-income earners, and a \$250 payment for pensioners and welfare recipients. The fuel excise will also be reduced by 50 per cent for six months, starting from midnight on Budget night.

For small businesses, a Skills and Training Boost will provide a new 20 per cent bonus deduction for eligible external training courses for upskilling employees from Budget night. In addition, businesses will receive a similar 20 per cent bonus deduction for expenditure on digital technologies (e.g., cloud computing, eInvoicing, cyber security and web design) for investments of up to \$100,000 per year.

The Treasurer said a strong economic recovery is well underway, notwithstanding the COVID-19 pandemic and new shocks, such as the recent floods and the Russian invasion of Ukraine. Mr Frydenberg said economic growth forecasts have been revised upwards, driven by stronger-than-expected momentum in the labour market and consumer spending. The unemployment rate has also fallen to 4 per cent and is expected to reach 3.75 per cent in the September 2022 quarter.

Since the Mid-Year Economic and Fiscal Outlook (MYEFO) in December 2021, the underlying cash balance has improved by \$103.6 billion over the five years to 2025-26. Nevertheless, the Government is expected to record a deficit of \$79.8 billion for 2021-22 and \$78.0 billion for 2022-23 (down from \$134.2 billion in 2020-21). Net debt of \$714.9 billion for 2022-23 is forecast to rise to \$864.7 billion in 2025-26.

Tax measures

The major tax-related measures announced in the Budget included:

- **Low- and middle-income tax offset (LMITO) increased by \$420 for 2021-22** - a one-off \$420 cost of living tax offset for the 2021-22 income year will see the low- and middle-income tax offset (LMITO) increased up to a maximum of \$1,500 for 2021-22 only (up from \$1,080). Importantly, the Government did not announce an extension of the LMITO beyond 2021-22 when it is legislated to cease.
- **No changes to the personal tax rates for 2022-23** - the Stage 3 personal income tax cuts remain unchanged and will commence in 2024-25 as already legislated.
- **Small business 20 per cent deduction boost for skills training and digital adoption** - businesses with turnover less than \$50 million will receive a 20 per cent uplift on deductions for eligible expenditure on external training courses and digital technology. The 20 per cent boost will apply to eligible expenditure incurred from 7:30pm on 29 March 2022 until 30 June 2024 (for skills training) and 30 June 2023 (for digital adoption).
- **Patent box income extended** – the concessional tax treatment for eligible corporate income associated with new patents in the medical and biotechnology sectors will be extended to corporate taxpayers who commercialise their: (i) eligible patents linked to agricultural and veterinary chemical products; and (ii) patented technologies which have the potential to lower emissions.
- **Employee share schemes (ESS)** – for company law purposes, the investment thresholds for unlisted companies will be changed so that ESS participants can invest up to \$30,000 per participant per year (accruable for unexercised options for up to five years), plus 70 per cent of

dividends and cash bonuses. Participants will also be able to invest any amount if it would allow them to immediately take advantage of a planned sale or listing of the company.

- **Carbon credit and biodiversity certificate income** - the proceeds from the sale of Australian Carbon Credit Units (ACCUs) and biodiversity certificates generated from on-farm activities will be treated as primary production income for the purposes of the Farm Management Deposits (FMD) scheme and the tax averaging provisions from 1 July 2022.
- **Digitalising trust income** - all trust tax return filers will be given the option to lodge income tax returns electronically, increasing pre-filing and automating ATO assurance processes. The measure is proposed to apply from 1 July 2024 (subject to advice from software providers).
- **PAYG instalments options** - from 1 January 2024, companies will be allowed to choose to have their PAYG instalments calculated based on current financial performance, extracted from business accounting software (with some tax adjustments).
- **Taxable payments data reporting option** - from 1 January 2024, businesses will be provided with the option to report Taxable Payments Reporting System data on the same lodgment cycle as their activity statements, via accounting software.

Superannuation measures

The superannuation measures include:

- **Super pension drawdown 50 per cent reduction extended to 2022-23** - the temporary 50 per cent reduction in minimum annual payment amounts for superannuation pensions and annuities will be extended by a further year to the 2022-23 income year.
- **Super Guarantee rate unchanged** - the Budget did not contain any change to the legislated Super Guarantee rate rise from 10 per cent to 10.5 per cent for 2022-23.

Other measures

- **Fuel excise temporary reduction** - the fuel excise will be reduced by 50 per cent for six months, starting from midnight on Budget night.
- **\$250 cost of living payment** - the Government will make a \$250 one-off cost of living payment in April 2022 to eligible pensioners, welfare recipients, veterans and concession card holders.
- **Apprentice wage subsidy extension** - the Budget confirmed the extension of the Boosting Apprenticeship Commencement (BAC) and Completing Apprenticeship Commencements (CAC) wage subsidies by three months to 30 June 2022.

Outstanding Bills and draft legislation

When Parliament resumed on 29 March, there were several tax and superannuation measures before both Houses. It is possible that some of these Bills will lapse when the Prime Minister calls a Federal election (expected to be on 14 or 21 May 2022).

Further information is available on CPA Australia's [Federal Budget site](#).

The full Budget papers are available at budget.gov.au and the Treasury ministers' media releases are available at ministers.treasury.gov.au.

Budget highlights

Temporary cost of living measures

- Excise and excise equivalent customs duty rate on petrol, diesel, and all other fuel and petroleum-based products, except aviation fuels, will be reduced by 50% for 6 months.
- Increasing LMITO by \$420 in 2021-22, taking the maximum tax reduction to up to \$1,500 for more than 10 million eligible people.
- One-off payment of \$250 to 6 million eligible pensioners, welfare recipients, veterans and concession card holders.

Housing

- \$8.6 million to expand Home Guarantee Scheme to 50,000 places per year. Up to 35,000 places per year will be available for first home buyers; Family Home Guarantee will be increased to 5,000 places per year; and a new Regional Home Guarantee will offer up to 10,000 places per year.

Small business

- Small businesses (with aggregated annual turnover less than \$50 million) will be able to deduct a bonus 20 per cent of the cost of business expenses and depreciating assets that support digital uptake, up to \$100,000 of expenditure per year.
- Small businesses will also have access to a bonus 20 per cent deduction for the cost of external training courses delivered to their employees.

National security

- \$9.9 billion over 10 years to deliver a Resilience, Effects, Defence, Space, Intelligence, Cyber and Enablers (REDSPICE) package, which Government says will enhance the offensive and defensive cyber and intelligence capabilities of the Australian Signals Directorate (ASD).
- Additional \$136.7 million in 2022-23 for Australian Border Force's maritime surveillance and response capability.
- \$116.8 million to increase the Australian Criminal Intelligence Commission's capacity to identify and disrupt serious criminal activity.

Health

- \$547 million for targeted mental health and suicide prevention initiatives.
- \$331 million to promote the health of women and girls, including to support the National Women's Health Strategy.
- \$28 million to commence work to establish Genomics Australia

Family

- Paid Parental Leave scheme integrating existing schemes to give eligible families access to up to 20 weeks leave to use in ways that suit their specific circumstances.

Infrastructure

- Additional \$17.9 billion committed to road, rail and community infrastructure projects.

Regional Australia

- \$2.0 billion Regional Accelerator Program will diversify growing regional economies and create jobs in new and existing industries.
- \$7.1 billion investment in infrastructure projects in four key regions seen as export frontiers, including in Darwin's export capacity, water infrastructure and supply chain projects in north and central Queensland, and increasing low-emissions production in Western Australia's Pilbara region.

Disaster support

- Disaster relief for floods in New South Wales and Queensland expected to exceed \$6 billion.

Revenue and expenditure

- Total 2022-23 revenues are estimated at \$547.6 billion, or 23.8 per cent of GDP.
- Expenses are estimated at \$625.6 billion or 27.2 per cent of GDP.

Debt

- Net debt is expected to rise to \$714.9 billion, or 31.1 per cent of GDP, in 2022-23.
- Net debt is projected at \$864.7 billion, or 33.1 per cent of GDP, in 2025-26.
- Gross debt is projected to rise to \$977 billion, or 42.5 per cent of GDP, in 2022-23.
- Gross debt is projected at \$1.169 trillion, or 44.7 per cent of GDP, in 2025-26.

Commodity prices

- Budget forecasts assume prices of key exports drop from current high levels to levels more consistent with long-term fundamentals by the end of September.
- Budget papers show the iron ore price is assumed to decline from \$134 to \$55 per tonne free on board (FOB); metallurgical and thermal coal prices are assumed to decline from \$512 to \$130 per tonne FOB and \$320 to \$60 per tonne FOB, respectively.
- "If these high prices stay in place for the next six months as they are, that will be worth an additional \$30 billion to the budget bottom line," Treasurer Josh Frydenberg told reporters.

Personal tax

LMITO increased by \$420 for 2021-22 but not extended to 2022-23

The LMITO will be increased by \$420 for the 2021-22 income year so that eligible individuals will receive a maximum LMITO benefit up to \$1,500 for 2021-22 (up from the current maximum of \$1,080).

This one-off \$420 cost of living increase to the tax offset will only apply to the 2021-22 income year. Importantly, the Government did not announce an extension of the LMITO to 2022-23. So, it remains legislated to only apply until the end of the 2021-22 income year (albeit up to \$1,500 instead of \$1,080).

The Government said the LMITO for 2021-22 will be paid from 1 July 2022 to more than 10 million individuals when they submit their tax returns for the 2021-22 income year. Other than those that do not require the full offset to reduce their tax liability to zero, all LMITO recipients will benefit from the full \$420 increase. That is, the proposed one-off \$420 cost of living tax offset will increase the maximum LMITO benefit in 2021-22 to \$1,500 for individuals earning between \$48,001 and \$90,000 (but phasing out up to \$126,000). Those earning up to \$48,000 will also receive the \$420 one-off tax offset on top of their existing \$255 LMITO benefit (phasing up for incomes between \$37,001 and \$48,000) - see table below.

All other features of the current LMITO remain unchanged (including that it will only apply until the end of the 2021-22 income year). Consistent with the current LMITO, taxpayers with incomes of \$126,000 or more will not receive the additional \$420.

The measure is estimated to cost \$4.1 billion.

LMITO changes 2021-22

Taxable income (TI)	LMITO 2021-22 (current)	LMITO 2021-22 (proposed)
\$0 - \$37,000	\$255	\$675
\$37,001 - \$48,000	$\$255 + ([TI - 37,000] \times 7.5\%)$	$\$675 + ([TI - 37,000] \times 7.5\%)$
\$48,001 - \$90,000	\$1,080	\$1,500
\$90,001 - 126,000	$\$1,080 - ([TI - 90,000] \times 3\%)$	$\$1,500 - ([TI - 90,000] \times 3\%)$
\$126,001 +	Nil	Nil

The Government has proposed that eligible taxpayers with income up to \$126,000 will receive the additional one-off \$420 cost of living tax offset for 2021-22 on top of their existing LMITO benefit.

Currently, the amount of the LMITO for 2021-22 is \$255 for taxpayers with a taxable income of \$37,000 or less. Between \$37,000 and \$48,000, the value of LMITO increases at a rate of 7.5 cents per dollar to the maximum amount of \$1,080. Taxpayers with taxable incomes from \$48,000 to \$90,000 are eligible for the maximum LMITO of \$1,080. From \$90,001 to \$126,000, LMITO phases out at a rate of 3 cents per dollar.

Low-income tax offset (unchanged)

The low-income tax offset (LITO) will also continue to apply for the 2021-22- and 2022-23-income years. The LITO was intended to replace the former low income and low- and middle-income tax offsets from 2022-23, but the new LITO was brought forward in the 2020 Budget to apply from the 2020-21 income year.

Taxable income (TI)	Amount of offset
\$0 - \$37,500	\$700
\$37,501 - \$45,000	$\$700 - ([TI - \$37,500] \times 5\%)$
\$45,001 - \$66,667	$\$325 - ([TI - \$45,000] \times 1.5\%)$
\$66,668 +	Nil

The maximum amount of the LITO is \$700. The LITO will be withdrawn at a rate of 5 cents per dollar between taxable incomes of \$37,500 and \$45,000 and then at a rate of 1.5 cents per dollar between taxable incomes of \$45,000 and \$66,667.

Personal tax rates unchanged for 2022-23; Stage 3 start from 2024-25 unchanged

In the Budget, the Government did not announce any personal tax rates changes. The Stage 3 tax changes commence from 1 July 2024, as previously legislated.

Stage 3: rates and thresholds from 2024-25 onwards

The Stage 3 tax changes commence from 1 July 2024, as previously legislated. From 1 July 2024, the 32.5 per cent marginal tax rate will be cut to 30 per cent for one large tax bracket between \$45,000 and \$200,000. This will more closely align the middle tax bracket of the personal income tax system with corporate tax rates. The 37 per cent tax bracket will be entirely abolished at this time.

Therefore, from 1 July 2024, there will only be three personal income tax rates – 19 per cent, 30 per cent and 45 per cent. From 1 July 2024, taxpayers earning between \$45,000 and \$200,000 will face a marginal tax rate of 30 per cent. With these changes, around 94 per cent of Australian taxpayers are projected to face a marginal tax rate of 30 per cent or less.

Summary of resident rates and thresholds

Rate	2021-22	2022-23 to 2023-24	From 1.7.2024 (unchanged)
Nil	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200
19%	\$18,201 - \$45,000	\$18,201 - \$45,000	\$18,201 - \$45,000
30%	N/A	N/A	\$45,001 - \$200,000
32.5%	\$45,001 - \$120,000	\$45,001 - \$120,000	N/A

Rate	2021-22	2022-23 to 2023-24	From 1.7.2024 (unchanged)
37%	\$120,001 - \$180,000	\$120,001 - \$180,000	N/A
45%	\$180,001 +	\$180,001 +	\$200,001 +
Low- and middle-income tax offset (LMITO)	Up to \$1,500 (proposed)	N/A	N/A
Low-income tax offset (LITO)	Up to \$700	Up to \$700	Up to \$700

Foreign residents

For 2022-23, the tax rates for foreign residents (unchanged from 2021-22) are:

- \$0 - \$120,000 - 32.5%;
- \$120,001 - \$180,000 - 37%;
- \$180,001+ - 45%.

For 2024-25 and later income years, the tax rates for foreign residents are:

- \$0 - 200,000 - 30%;
- \$200,001+ - 45%.

Working holidaymakers

For 2022-23, the rates of tax for working holiday makers (unchanged from 2021-22) are:

- \$0 - \$45,000 - 15%;
- \$45,001 - \$120,000 - 32.5%;
- \$120,001 - \$180,000 - 37%;
- \$180,001+ - 45%.

For 2024-25 and later income years, the rates of tax for working holiday makers are:

- \$0 - \$45,000 - 15%;
- \$45,001 - \$200,000 - 30%;
- \$200,001+ - 45%.

Medicare levy low-income thresholds for 2021-22

For the 2021-22 income year, the Medicare levy low-income threshold for singles will be increased to \$23,365 (up from \$23,226 for 2020-21). For couples with no children, the family income threshold will be increased to \$39,402 (up from \$39,167 for 2020-21). The additional amount of threshold for each dependent child or student will be increased to \$3,619 (up from \$3,597).

For single seniors and pensioners eligible for the seniors and pensioners tax offset (SAPTO), the Medicare levy low-income threshold will be increased to \$36,925 (up from \$36,705 for 2020-21). The family threshold for seniors and pensioners will be increased to \$51,401 (up from \$51,094), plus \$3,619 for each dependent child or student.

The increased thresholds will apply to the 2021-22 and later income years. Note that legislation is required to amend the thresholds and a Bill will be introduced shortly.

COVID-19 test expenses to be deductible

The Budget papers confirm that the 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.

The changes will take effect from 1 July 2021 (i.e., last year). It was previously announced on 8 February 2022. The cost to revenue is stated to be "significant but unquantifiable".

Updates to DGR recipients

The Government announced that it will amend the tax law to list the following organisations as deductible gift recipients (DGRs) for donations made within the specified dates:

- Melbourne Business School Ltd from 1 July 2022;
- Advance Global Australians Ltd from 1 July 2022 to 30 June 2027;
- Leaders Institute South Australia Inc from 1 July 2022 to 30 June 2027;
- St Patrick's Cathedral Melbourne Restoration Fund from 1 July 2022 to 30 June 2027; and
- Up to 28 entities related to community foundations affiliated with the peak body Community Foundations Australia from 1 July 2022 to 30 June 2027.

The following changes were also announced:

- The listing of Sydney Chevra Kadisha as a DGR will also be extended for 2 years from 1 July 2022 to 30 June 2024.
- Advance Global Australians Ltd will not be listed until it is registered with the Australian Charities and Not-for-profits Commission.
- The specific listing of Mt Eliza Graduate School of Business and Government Ltd will be removed at the request of the organisation.
- Community foundation-related entities will not be listed unless their governing rules do not permit a use of funds beyond that permitted for entities endorsed under the DGR categories in the tax law. Entities will also need to demonstrate that they will maintain minimum annual distributions, consistent with the current requirements for ancillary funds.

Business tax

Skills, training and digital adoption deduction boosts for small business

The Government announced two support measures for small businesses (aggregated annual turnover less than \$50 million) in the form of a 20 per cent uplift of the amount deductible for expenditure incurred on external training courses and digital technology.

External training courses

An eligible business will be able to deduct an additional 20 per cent of expenditure incurred on external training courses provided to its employees. The training course must be provided to employees in Australia or online and delivered by entities registered in Australia. Some exclusions will apply, such as for in-house or on-the-job training.

The boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2024.

The boost for eligible expenditure incurred by 30 June 2022 will be claimed in tax returns for the following income year. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2024, will be included in the income year in which the expenditure is incurred.

Digital adoption

An eligible business will be able to deduct an additional 20% of the cost incurred on business expenses and depreciating assets that support its 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.

The boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2023. The boost for eligible expenditure incurred by 30 June 2022 will be claimed in tax returns for the following income year. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2023 will be included in the income year in which the expenditure is incurred.

Scope of concessional tax treatment of patent box income extended

In the 2021-22 Budget, the Government announced the introduction of concessional tax treatment for eligible corporate income associated with new patents in the medical and biotechnology sectors (referred to "patent box" income). Under legislation currently before Parliament (Treasury Laws Amendment (Tax Concession for Australian Medical Innovations) Bill 2022), such income will be taxed at a concessional rate of 17 per cent, with effect for income years starting on or after 1 July 2022. Eligible income will be taxed at the concessional tax rate to the extent that the R&D of the innovation took place in Australia.

The Government will now extend the patent box income measures to provide concessional tax treatment for corporate taxpayers who:

- commercialise their eligible patents linked to agricultural and veterinary chemical products listed on the Australian Pesticides and Veterinary Medicines Authority's Public Chemicals Registration Information System register, or eligible Plant Breeder's Rights, or
- commercialise their patented technologies which have the potential to lower emissions. Patents relating to low emissions technology, as set out in the 140 technology areas listed in the Government's 2020 Technology and Investment Roadmap Discussion Paper or included as priority

technologies in the Government's 2021 and future annual Low Emissions Technology Statements will be within scope, provided the patented technology is considered to reduce emissions.

In both cases, patent box income will be taxed at an effective income tax rate of 17 per cent in relation to rights and patents granted or issued after 29 March 2022 and for income years starting on or after 1 July 2023.

The Government will consult with industry before settling the detailed design of the patent box extension.

PAYG instalments: option to base on financial performance

The Budget papers confirm the Treasurer's earlier announcement that companies will be allowed to choose to have their PAYG instalments calculated based on current financial performance, extracted from business accounting software (with some tax adjustments).

The commencement date is "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, for application to periods starting on or after that date.

PAYG and GST instalment uplift factor: 2 per cent for 2022-23

The Budget papers confirm the Treasurer's earlier announcement that the GDP uplift factor for PAYG and GST instalments will be set at 2 per cent for the 2022-23 income year. The papers state that this uplift factor is lower than the 10 per cent that would have applied under the statutory formula.

The 2 per cent GDP uplift rate 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) in respect of instalments that relate to the 2022-23 income year and fall due after the enabling legislation receives assent.

Employee share schemes for unlisted companies: thresholds amended

The Budget confirms the Government's intention to change the investment thresholds for unlisted companies in relation to employee share schemes.

Where employers make larger offers in connection with employee share schemes in unlisted companies, participants can invest up to:

- \$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 them to immediately take advantage of a planned sale or listing of the company to sell their purchased interests at a profit.

The Government will also remove regulatory requirements for offers to independent contractors, where they do not have to pay for interests. No date of effect is specified in the Budget papers.

More COVID-19 business grants designated non-assessable non-exempt income

The Government has extended the measure which enables payments from certain State and Territory COVID-19 business support programs to be made non-assessable non-exempt (ie NANE) for income tax purposes until 30 June 2022. This measure was originally announced on 13 September 2020.

Consistent with this, the Government has made the following State and Territory grant programs eligible for this treatment since the 2021-22 MYEFO:

- New South Wales Accommodation 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

The changes are part of an ongoing series of announcements which will continue to have effect until 30 June 2022 (subject to further extension).

Concessional tax treatment of carbon credit and biodiversity certificate income

The Government will allow the proceeds from the sale of Australian Carbon Credit Units (ACCUs) and biodiversity certificates generated from on-farm activities to be treated as primary production income for the purposes of the Farm Management Deposits (FMD) scheme and the tax averaging provisions from 1 July 2022.

The Government will also change the taxing point of ACCUs for eligible primary producers to the year when they are sold and extend similar treatment to biodiversity certificates issued under the Agriculture Biodiversity Stewardship Market scheme, from 1 July 2022. Eligible primary producers are those who are currently eligible for the FMD scheme and tax averaging.

Currently, proceeds from selling ACCUs are treated as non-primary production income and are generally ineligible for concessional tax treatment under the FMD scheme or tax averaging. ACCU holders are taxed based on changes in the value of their ACCUs each year, which can result in tax liabilities before sale.

Future Fund subsidiaries to be tax exempt

Wholly owned Australian incorporated subsidiaries of the Future Fund Board of Guardians (i.e., the "Future Fund Board") will be exempt from corporate income tax.

Currently, the Future Fund Board is exempt from income taxes, but this exemption does not extend to its wholly owned subsidiaries. As a result, these subsidiaries pay corporate income tax, which is subsequently refunded to the Future Fund Board via franking credits attached to the dividends paid to it by the subsidiaries.

Extending this exemption will remove the administrative burden associated with the payment of tax by the subsidiaries and subsequent claiming of a refund.

The measure will commence from the first income year after the amending legislation receives assent.

Tax compliance and integrity

ATO's Tax Avoidance Taskforce: extended operation, more funding

The Government will provide \$325.0 million in 2023-24 and \$327.6 million in 2024-25 to the ATO to extend the operation of the Tax Avoidance Taskforce by 2 years to 30 June 2025.

The Taskforce was established in 2016 to undertake compliance activities targeting multinationals, large public and private groups, trusts and high wealth individuals. It also scrutinises specialist tax advisors and intermediaries that promote tax avoidance schemes and strategies.

This measure is estimated to increase receipts by \$2.1 billion and increase payments by \$652.6 million over the forward estimates period.

Digitalising trust income reporting

The Budget confirms the Government's intention to digitalise trust and beneficiary income reporting and processing. It will allow all trust tax return filers the option to lodge income tax returns electronically, increasing pre-filing and automating ATO assurance processes. However, there are no other additional details in the Budget papers than in the earlier announcement.

The measure will commence from 1 July 2024, "subject to advice from software providers about their capacity to deliver". The Government also advises that it will consult with affected stakeholders, tax practitioners and digital service providers to finalise the policy scope, design and specifications.

Taxable payments data reporting: option to link to BAS cycle

The Budget confirms the Treasurer's earlier announcement that businesses will be provided with the option to report Taxable Payments Reporting System data on the same lodgment cycle as their activity statements, via accounting software. The rules for the taxable payments reporting system are contained in Subdivision 396-B of Schedule 1 to the *Taxation Administration Act 1953*.

The Government will consult with affected stakeholders, tax practitioners and digital service providers to finalise the policy scope, design and specifications of the measure.

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.

ABN measures deferred

The Budget papers confirm that the start date of the Black Economy – strengthening the Australian Business Number (ABN) system measure, announced in the 2019-20 Budget, by 12 months to assist with integration into the Australian Business Registry Services (ABRS).

STP data to be shared with States and Territories

The Budget papers confirm the Government's intention to develop the IT infrastructure required to allow the ATO to share single touch payroll (STP) data with State and Territory Revenue Offices on an ongoing basis.

Funding for this measure has already been provided for by the Government. The funding will be deployed following further consideration of which States and Territories are able and willing to make investments in their own systems and administrative processes to pre-fill payroll tax returns with STP data.

Superannuation

Superannuation pension drawdowns - 50% reduction extended to 2022-23

The temporary 50% reduction in minimum annual payment amounts for superannuation pensions and annuities will be extended by a further year to 30 June 2023.

The 50% reduction in the minimum pension drawdowns, which has applied for the 2019-20, 2020-21 and 2021-22 income years, was due to end on 30 June 2022. However, the Government announced that the *Superannuation Industry (Supervision) Regulations 1994* (the SIS Regs) will be amended to extend this temporary 50 per cent reduction for minimum annual pension payments to the 2022-23 income year. Given ongoing volatility, the Government said the extension of this measure to 2022-23 will allow retirees to avoid selling assets in order to satisfy the minimum drawdown requirements.

The reduction in the minimum payment amounts for 2022-23 is expected to apply to account-based, allocated and market linked pensions. Minimum payments are determined by age of the beneficiary and the value of the account balance as at 1 July each year under Schedule 7 of the SIS Regs.

Age of beneficiary (years)	Standard percentage factor (%)	Minimum drawdown for 2019-20 to 2021-22 (and 2022-23 proposed) (after 50% reduction)
0-64	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
95+	14	7

No maximum annual payments apply, except for transition to retirement pensions which have a maximum annual payment limit of 10 per cent of the account balance at the start of each financial year.

For the purposes of determining the minimum payment amount for an account-based pension or annuity for the financial years commencing 1 July 2019, 1 July 2020, 1 July 2021 (and 1 July 2022 proposed), the minimum payment amount is half the amount worked under the formula in clause 1 of Schedule 7 of the SIS Regs. The relevant percentage factor is based on the age of the beneficiary on 1 July in the financial year in which the payment is made (or on the commencement day if the pension commenced in that year).

For market linked income streams (MLIS), the minimum payment amount for the financial years commencing 1 July 2019, 1 July 2020, 1 July 2021 (and 1 July 2022 proposed) must be not less than 45 per cent (and not greater than 110 per cent) of the amount determined under the standard formula in clause 1 of Sch 6 of the SIS Regs.

Super Guarantee no change to legislated rate rise

The Budget did not announce any change to the timing of the next superannuation guarantee (SG) rate increase. The SG rate is currently legislated to increase from 10 per cent to 10.5 per cent from 1 July 2022, and by 0.5 per cent per year from 1 July 2023 until it reaches 12 per cent from 1 July 2025.

With the SG rate set to increase to 10.5 per cent for 2022-23 (up from 10 per cent), employers need to be mindful that they cannot use an employee's salary sacrificed contributions to reduce the employer's extra 0.5 per cent of super guarantee. The ordinary time earnings (OTE) base for super guarantee purposes now specifically includes any sacrificed OTE amounts. This means that contributions made on behalf of an employee under a salary sacrifice arrangement (defined in section 15A of the *Superannuation Guarantee (Administration) Act 1992* (SGAA)) are not treated as employer contributions which reduce an employer's charge percentage.

SG opt-out for high-income earners

The increase in the SG rate to 10.5 per cent from 1 July 2022 also means that the SG opt-out income threshold will decrease to \$261,904 from 1 July 2022 (down from \$275,000). High-income earners with multiple employers can opt-out of the SG regime in respect of an employer to avoid unintentionally breaching the concessional contributions cap (\$27,500 for 2021-22 and 2022-23). Therefore, the SG opt-out threshold from 1 July 2022 will be \$261,904 (\$27,500 divided by 0.105).

Other measures

One-off \$250 cost of living payment

The Government will make a \$250 one-off cost of living payment in April 2022 to six million eligible pensioners, welfare recipients, veterans and eligible concession card holders.

The \$250 payment will be tax-exempt and not count as income support for the purposes of any Government income support. A person can only receive one economic support payment, even if they are eligible under two or more of the categories outlined below.

The payment will only be available to Australian residents who are eligible recipients of the following payments and to concession card holders:

- 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 (PCC) holders
- Commonwealth Seniors Health Card holders
- eligible Veterans' Affairs payment recipients and Veteran Gold card holders.

Temporary reduction in fuel excise

The Government will reduce the excise and excise-equivalent customs duty rate that applies to petrol and diesel for six months by 50 per cent. The excise and excise-equivalent customs duty rates for all other fuel and petroleum-based products, except aviation fuels, will also be reduced by 50 per cent for six months.

The Treasurer said this measure will see excise on petrol and diesel cut from 44.2 cents per litre to 22.1 cents. Mr Frydenberg said a family with two cars who fill up once a week could save around \$30 a week or around \$700 over the next six months. The Treasurer made a point of emphasising that the ACCC will monitor the price behaviour of retailers to ensure that the lower excise rate is fully passed on.

The measure will commence from 12.01am on 30 March 2022 and will remain in place for 6 months, ending at 11.59pm on 28 September 2022.

The measure is estimated to decrease receipts by \$5.6 billion and decrease payments by \$2.7 billion over the forward estimates.

Company registration and lifecycle management system to be modernised

The Government confirmed that Australia's Business Registers (i.e., its company registration and lifecycle management system) will be moving to a modernised platform by September 2023. The reforms include:

- removing the companies annual late review fee
- reducing the number of fees paid for ad hoc lodgements under current requirements
- removing fees for searches conducted on the new registry website, and
- providing funding to Treasury to redesign wholesale business register search services (facilitated by third-party services).

Streamlining the administration of fuel and excise requirements

The Government intends to streamline the administration of fuel and alcohol excise and excise-equivalent customs goods. From 1 July 2023, the changes will:

- enable fuel and alcohol businesses with an annual turnover of less than \$50 million to lodge and pay excise and excise-equivalent customs duty on a quarterly basis, rather than weekly or monthly as at present. These businesses will lodge returns and pay excise by the 28th day of the month after the end of each quarter
- streamline and align licensing requirements across the excise system, by removing all renewal requirements for excise and excise-equivalent customs goods licences and removing licence fees
- amend the excise and excise-equivalent customs duty regime for fuel by introducing a refund provision, similar to that in the excise law, for excise-equivalent customs duty on petroleum-based oils used in the further manufacture of petroleum lubricants, ending double taxation of these oils
- amend the excise law to provide a targeted exemption from excise licensing requirements, up to a threshold of 10,000 litres per year, for licensed hospitality venues to fill beer from kegs into sealed, non-pressurised containers of no more than two litres capacity and not designed for medium- to long-term storage.

Apprentice wage subsidy support extension

The Budget confirms the Government's earlier announcement to extend the Boosting Apprenticeship Commencement (BAC) and Completing Apprenticeship Commencements (CAC) wage subsidies by 3 months to 30 June 2022.

The Budget also includes funding over five years to introduce a new Australian Apprenticeships Incentive System from 1 July 2022 as further support to employers and apprentices in "priority occupations".

First Home Guarantee Scheme: additional places announced

The Government has announced that it will expand the Home Guarantee Scheme in the 2022-23 Budget to make available up to 50,000 places each year, including 10,000 places for a new Regional Home Guarantee open to non-first home buyers.

Under the expanded Scheme, the Government said it will make available:

- 35,000 guarantees each year (up from the current 10,000), from 1 July 2022 under the First Home Guarantee, to support eligible first homebuyers to purchase a new or existing home with a deposit as low as 5 per cent
- 10,000 guarantees each year (from 1 October 2022 to 30 June 2025), under a new Regional Home Guarantee, to support eligible homebuyers (including non-first home buyers and permanent residents, to purchase or construct a new home in regional areas), subject to the passage of enabling legislation, and
- 5,000 guarantees each year (from 1 July 2022 to 30 June 2025) to expand the Family Home Guarantee to help eligible single parents with children to buy their first home or to re-enter the housing market with a deposit of as little as 2 per cent.

Mr Frydenberg said the Home Guarantee Scheme seeks to ensure part of an eligible buyer's home loan is guaranteed by the Government so they can buy a home sooner with a smaller deposit and without needing to pay lenders mortgage insurance.

Under the existing Scheme, eligible first home buyers can obtain a loan to build a new home or purchase a newly built home with a deposit of as little as 5 per cent. The Scheme provides a Government-backed guarantee equals to the difference between the deposit and 20 per cent of the purchase price. Applications can be made as part of the standard home loan application process through participating lenders.

Diplomatic and consular concessions extended

The Budget has granted or extended access to refunds of indirect tax under the Indirect Tax Concession Scheme (ITCS) to various diplomatic and consular representations.

Under the ITCS, diplomatic and consular representations receive refunds for indirect taxes including GST, fuel and alcohol taxes.

SOURCE:

CPA Australia Ltd has used reasonable care and skill in compiling the content of this material. However, CPA Australia Ltd makes no warranty as to the accuracy or completeness of any information in these materials. The publishers, authors, editors and facilitators are not responsible for the results of any actions on the basis of information in this work, nor for any errors or omissions. They expressly disclaim all and any liability to any person in respect of anything and the consequences of anything, done or omitted to be done by any such person in reliance, in whole or part, on the contents of this publication. The views expressed in this work are for reference purposes only and are not intended, in part or full, to constitute legal or professional advice. Further, as laws change frequently, all practitioners, readers, viewers and users are advised to undertake their own research or to seek professional advice to keep abreast of any reforms and developments in the law.