

2022/23 Federal Budget

Personal income tax changes

a) Increase to low and middle income tax offset ('LMITO')

The Government has announced a **once-off \$420 'cost of living tax offset' for the 2022 income year**, which will be provided in the form 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 Australians submit their tax returns for the 2022 income year.

Other than those who do not require the full offset to reduce their tax liability to zero, **all LMITO recipients will benefit from the full \$420 increase**. All other features of the LMITO remain unchanged.

To the extent an individual is entitled to an amount of LMITO for the 2022 income year under the current law, their entitlement is proposed to be increased by \$420, as follows:

	2022 LMITO (current)	Plus cost of living tax offset
\$0 – \$37,000	\$255	\$420
\$37,000 – \$48,000	\$255 + 7.5% excess over 37,000	\$420
\$48,001 - \$90,000	\$1,080	\$420
90,001 – 125,999	\$,1080 – 3% of excess over \$90,000	\$420
\$126,000 +	Nil	Nil

The LMITO is not available from the 2023 income year.

b) Increasing the Medicare levy low-income thresholds

The Government will increase the Medicare levy low-income thresholds for seniors and pensioners, families and singles **from 1 July 2021** as follows:

- 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.

2022/23 Federal Budget

For each dependent child or student, the family income thresholds will increase by a further \$3,619 instead of the previous amount of \$3,597.

c) Tax deductibility of COVID-19 test expenses

The Government will ensure 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.

Changes affecting business taxpayers

a) Skills and training boost

The Government will introduce a skills and training boost to support small and medium-sized businesses to train and upskill their employees. The boost will apply to eligible expenditure incurred **until 30 June 2024**.

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 external training courses provided to their employees. The external training courses will need to 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 and expenditure on external training courses for persons other than employees.

For eligible expenditure incurred by 30 June 2022, the boost will be claimed in tax returns for the *following* income year. 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.

b) Technology investment boost

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 **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. This equates to a maximum additional deduction of \$20,000 per eligible year.

2022/23 Federal Budget

For eligible expenditure incurred by 30 June 2022, the boost will be claimed in tax returns for the *following* income year. For eligible expenditure incurred between 1 July 2022 and 30 June 2023, the boost will be claimed in the income year in which the expenditure is incurred.

c) Modernising the PAYG instalment system

The Government will enable companies to **choose** to have their PAYG instalments calculated based on current financial performance, extracted from business accounting software, with some tax adjustments. This will support business cash flow by ensuring instalments reflect current performance.

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.

d) Reporting of Taxable Payments Reporting System data

The Government will provide businesses with the **option** to report *Taxable Payments Reporting System* data (via accounting software) on the same lodgment cycle as their activity statements.

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.

e) Sharing of Single Touch Payroll ('STP') data

The Government has committed to the development of IT infrastructure required to allow the ATO to share STP data with State and Territory Revenue Offices on an ongoing basis.

Funding for this measure has already been provided and will be deployed following 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.

Other budget announcements

a) Varying the 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.

The lower uplift rate will provide cash flow support to small businesses, including sole traders and other individuals with investment income.

2022/23 Federal Budget

The 2% GDP uplift rate will apply to small to medium enterprises eligible to use the relevant instalment methods (i.e., 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 2023 income year and fall due after the enabling legislation receives Royal Assent

b) Digitalising 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-filing and automating ATO assurance processes.

This measure acknowledges that trust income reporting has not been automated to the same extent as individual and company tax returns. This measure will reduce the compliance burden, reduce processing times, and enhance ATO processes.

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

c) 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

d) Temporary reduction in fuel excise

The Government will 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, for six months. This measure will commence from 12.01am on **30 March 2022** and will remain in place for six months.

This has been prepared from information supplied from the National Tax & Accountants' Association Ltd