Federal Budget 2022-23

29 March 2022

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Introduction

Federal Budget summary 2022–23

Measures and start dates at a glance

Budget measure	
Individuals	**Application date**
Increasing the Medicare levy low-income thresholds	From 1 July 2021
Cost of living tax offset — LMITO increase	2021–22 income year (to be paid from 1 July 2022)
$250 cost of living payment	To be made to eligible recipients in April 2022
Expansion to Home Guarantee Scheme	Various dates from 1 July 2022
Deductions	
Tax deductibility of COVID-19 test expenses	From 1 July 2021
Businesses	
Small Business — Skills and training boost — additional 20 per cent deduction	Eligible expenditure incurred from 7:30pm (AEDT) 29 March 2022 until 30 June 2024
Small Business — Technology investment boost	Eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2023
Varying the GDP uplift factor for PAYG and GST instalments	PAYG and GST instalments for the 2022–23 income year that fall due after enabling legislation receives Royal Assent
COVID-19 Response Package — making COVID-19 business grants non-assessable non-exempt (NANE) income	Grant payments received in the 2020–21 and 2021–22 financial years
Concessional tax treatment for primary producers generating revenue from carbon credit units and biodiversity certificates	From 1 July 2022
Changes to the Australian Screen Production Incentive not proceeding	
Companies	
Employee Share Schemes — Expanding access and further reducing red tape	To be advised

Budget measure	
Patent Box regime — Update of policy specifications for Australian medical and biotechnology innovations	Patents granted or issued after 11 May 2021
Patent Box regime — Expanded to the agricultural sector and low emissions technology	Rights and Patents granted or issued after 29 March 2022 and income years starting on or after 1 July 2023
International	
Reducing regulatory burden for Australia's Foreign Investment Framework	1 April 2022
Superannuation	
Supporting Retirees — Extension of the temporary reduction in superannuation minimum drawdown rates	Proposed to extend to the 2022–23 income year
Compliance	
Digitalising trust income reporting and processing	From 1 July 2024, subject to advice from software providers
Enhanced sharing of STP data	To be advised
Extension of the ATO Tax Avoidance Taskforce	Extended by two years to 30 June 2025.
Modernisation of PAYG instalment systems	Periods starting on or after 1 January 2024
Strengthening the Australian Business Number system	1 July 2022 — income tax lodgment 1 July 2023 — annual confirmation
Reporting taxable payments on same lodgment cycle as activity statements	1 January 2024 for periods starting on or after that date
Other taxes	
Temporary reduction in fuel excise	12.01 am on 30 March 2022 until 11.59 pm on 28 September 2022
Related laws	
Insolvency Reform funding – including to clarify the treatment under insolvency law of trusts with corporate trustees	Funding over four years from 2022–23
Skills development and growing Australia's workforce — Apprenticeships	Funding over five years from 2021–22 for programs over various years
Women's Budget Statement — includes proposed changes to the Paid Parental Leave scheme from no later than 1 March 2023	Various

Budget measures

Individuals

2022-23 Federal Budget - Increasing the Medicare levy low-income thresholds

KEY POINTS
▪ The Government has announced that the Medicare levy low-income thresholds will be increased for singles, families, and seniors and pensioners from 1 July 2021.
▪ The effect of this change is to take account of recent CPI movements so that low-income taxpayers generally continue to be exempt from paying the Medicare levy.

The Government announced as part of the 2022–23 Federal Budget that the Medicare levy low-income thresholds will be increased for singles, families, and seniors and pensioners from 1 July 2021. Individuals and families will not have to pay the Medicare levy if their individual or family taxable income is below the low-income threshold.

START DATE

From 1 July 2021

Medicare low-income threshold changes

The changes to the Medicare levy low-income thresholds are as follows:

Medicare low-income threshold	Threshold as at 30 June 2021	Threshold from 1 July 2021
Singles	$23,226	$23,365
Families	$39,167	$39,402
Single – seniors and pensioners	$36,705	$36,925
Family — seniors and pensioners	$51,094	$51,401
Family — for each dependent child or student[60]	$3,597	$3,619

The increases to the thresholds take account of recent movements in the CPI so that low-income taxpayers generally continue to be exempt from paying the Medicare levy.

Source: Budget Paper No. 2 page 24

60 For each dependent child or student, the family income threshold increases by the stated amount.

2022-23 Federal Budget - Cost of living tax offset - LMITO increase

KEY POINTS
■ The Government has announced that it will increase the low and middle income tax offset (LMITO) for the 2021–22 income year by $420 to $1,500.
■ Unless the full offset is required to reduce a taxpayer's tax liability to zero, all LMITO recipients will benefit from the full $420 increase.
■ All other features of the LMITO remain unchanged, including the requirement that relevant income is below $126,000.

As part of the 2022–23 Federal Budget, the Government announced that it will increase the low and middle income tax offset (LMITO) for the 2021–22 income year.

APPLICATION

2021–22 income year

Background

In last year's Federal Budget the Government announced, and subsequently legislated, an extension to the LMITO to the 2021–22 income year. This was the second extension of the offset, which was originally due to end in the 2019–20 income year.

Increase to the LMITO

The Government will further amend the Tax law to increase the LMITO by $420 for the 2021–22 income year, increasing the maximum LMITO benefit to $1,500.

Unless the full offset is required to reduce a taxpayer's tax liability to zero, all LMITO recipients will benefit from the full $420 increase. All other features of the LMITO remain unchanged, including the requirement that relevant income[61] is below $126,000.

Consistent with current arrangements, the LMITO will be received on assessment after the individual lodges their tax return for the 2021–22 income year.

Source: Budget Paper No. 2 page 16

[61] *Relevant income* of the entity is the taxable income of an individual or the share of the net income of the trust in respect of which a trustee is taxed on behalf of a beneficiary — s. 61-107(1) of the *ITAA 1997*.

▶ 2022-23 Federal Budget - $250 cost of living payment

KEY POINTS
■ The Government has announced that it will provide eligible recipients with a tax-exempt support payment of $250 to assist with higher cost of living pressures.
■ The payments will be made in April 2022 and will be targeted to Australian residents who are recipients of particular social security payments and concession card holders.

As part of the 2022–23 Federal Budget, the Government announced that it will provide eligible recipients with a tax-exempt support payment of $250 to assist with higher cost of living pressures.

The payment will be made to eligible Australian resident recipients of the following payments and to concession card holders:

START DATE

Payments will be made in April 2022

- 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.

Under the proposed scheme, the payments will not count as income support for the purposes of any income support payment. A person can only receive one economic support payment, even if they are eligible under two or more of the categories outlined above.

Source: Budget Paper No. 2 page 167;
Budget Overview: page 27

▶ 2022-23 Federal Budget - Expansion to Home Guarantee Scheme

KEY POINTS
■ The Government has announced that it will expand the existing Home Guarantee Scheme to: ▪ increase the number of available guarantees from 10,000 to 35,000 each year to support eligible first homebuyers to purchase a new or existing home with a deposit as low as five per cent — from **1 July 2022**; ▪ establish a new Regional Home Guarantee which will provide 10,000 guarantees each year to support eligible homebuyers to purchase or construct a new home in regional areas — from **1 October 2022 to 30 June 2025**; ▪ expand the Family Home Guarantee — to provide 5,000 guarantees to support eligible single parents with children to buy their first home or to re-enter the housing market with a deposit of as little as two per cent — from **1 July 2022 to 30 June 2025**.

START DATE
Various

In the lead up to the 2022–23 Federal Budget, the Treasurer, Josh Frydenberg together with the Assistant Treasurer, Michael Sukkar and the Minister for Housing Minister for Homelessness, Social and Community Housing, Bridget McKenzie announced on 28 March 2022 that the Government would expand the existing Home Guarantee Scheme.

The Government will:

- expand the First Home Guarantee[62] — to increase the available guarantees from 10,000 to 35,000 each year to support eligible first homebuyers to purchase a new or existing home with a deposit as low as five per cent — from **1 July 2022**;
- establish a new Regional Home Guarantee — to provide 10,000 guarantees each year to support eligible homebuyers, including non-first home buyers and permanent residents who have not owned a home for five years to purchase or construct a new home in regional areas— from **1 October 2022 to 30 June 2025**;
- expand the Family Home Guarantee — to provide 5,000 guarantees to support eligible single parents with children to buy their first home or to re-enter the housing market with a deposit of as little as two per cent — from **1 July 2022 to 30 June 2025**.

Source: Budget Paper No. 2 page 170;
Budget Overview: page 30; and
Treasurer's Media Release: 2022–23 Budget backs aspiring homeowners, dated 28 March 2022

[62] Formerly the First Home Loan Deposit Scheme.

2022-23 Federal Budget - Tax deductibility of COVID-19 test expenses

KEY POINTS
■ The Government has announced that: ■ individuals will be able to deduct the costs of taking a COVID-19 test to attend a place of work; and ■ FBT will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose. ■ Proposed to commence from **1 July 2021**.

START DATE
1 July 2021

Prior to the 2022–23 Federal Budget, the Assistant Treasurer, Michael Sukkar, announced on 8 February 2022 in a Media Release that the Government will introduce legislation to ensure that:

- work-related COVID-19 test (including Polymerase Chain Reaction and Rapid Antigen Test) expenses incurred by individuals will be tax deductible; and
- FBT will not be incurred by employers where COVID-19 testing is provided to employees for work-related purposes.

Announcement

In the 2022–23 Federal Budget, the Government confirmed the previous announcement and clarified that:

- the costs of taking a COVID-19 test *to attend a place of work* are tax deductible for individuals from **1 July 2021**; and
- FBT will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose.

Source: Budget Paper No. 2 page 18; and
Assistant Treasurer's Media Release: 'Tax deductibility of COVID-19 test expenses, dated 8 February 2022

2022-23 Federal Budget - Small Business - Technology investment boost

KEY POINTS
■ The Government has announced that it will introduce a technology investment boost to support digital adoption by small businesses. ■ Small businesses with an aggregated annual turnover of less than $50 million will be able to deduct an additional 20 per cent of expenditure incurred on business expenses and depreciating assets that support their digital adoption up to an annual cap of $100,000 of expenditure. ■ The 20 per cent boost will be claimable in respect of eligible expenditure incurred: ▪ by 30 June 2022 the boost — in the tax return for the following income year; ▪ between 1 July 2022 and 30 June 2023 — in the income year in which the expenditure is incurred.

APPLICATION

Eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2023

As part of the 2022–23 Federal Budget, the Government announced that it is introducing a technology investment boost to support digital adoption by small businesses.

Small businesses (with aggregated annual turnover of less than $50 million) will be able to deduct an additional 20 per cent 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.

The 20 per cent boost will be claimable as follows:

- In respect of eligible expenditure incurred by 30 June 2022 the boost will be claimable in the tax return for the following income year.
- In respect of eligible expenditure incurred between 1 July 2022 and 30 June 2023 the boost will be included in the income year in which the expenditure is incurred.

Example
Harley owns a furniture manufacturing company, Star Sofas Pty Ltd, that has annual turnover of $35 million and 120 employees. In April 2022, as part of an overseas expansion, Star Sofas invests $100,000 to develop an online presence and build a digital inventory tracking system. In July 2022, Star Sofas purchases multiple software subscriptions to enhance customer data analytics and marketing. Star Sofas incurs total expenditure of $100,000. The Government's new Technology Investment Boost means that Star Sofas can deduct an extra $40,000, reducing their tax bill by $10,000. The company can use the extra money to reinvest and grow. *Source: Budget 2022-23: More jobs and a strong economy*

Source: Budget Paper No. 2 page 27; and
Budget 2022-23: More jobs and a strong economy page 16

2022-23 Federal Budget - Small Business - Skills and training boost

KEY POINTS

■ The Government has announced that it will introduce a skills and training boost to support small businesses to train and upskill their employees.
■ Small businesses with an aggregated annual turnover of less than $50 million will be able to deduct an additional 20 per cent of expenditure incurred on eligible external training courses provided to their employees.
■ The 20 per cent boost will be claimable in respect of eligible expenditure:
    ▪ incurred by 30 June 2022 —in the tax return for the following income year;
    ▪ incurred between 1 July 2022 and 30 June 2024 — in the income year in which the expenditure is incurred.

As part of the 2022–23 Federal Budget, the Government announced that it is introducing a skills and training boost to support small businesses to train and upskill their employees.

Small businesses (with aggregated annual turnover of less than $50 million) will be able to deduct an additional 20 per cent 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.

APPLICATION

Eligible expenditure incurred from 7:30pm (AEDT) 29 March 2022 until 30 June 2024

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.

The 20 per cent boost will be claimable as follows:

- in respect of eligible expenditure incurred by 30 June 2022 the boost will be claimable in the tax return for the following income year;
- in respect of eligible expenditure incurred between 1 July 2022 and 30 June 2024 the boost will be included in the income year in which the expenditure is incurred.

Example
Andrew owns a transport company, Distribute R Us Pty Ltd, that has annual turnover of $30 million and 120 employees. To upskill its employees, in April 2022, Distribute R Us pays for a registered training provider to run supply chain training courses, costing $200,000. Distribute R Us pays for its employees to undertake specialist logistics training, costing a further $400,000, across the 2022–23 and 2023–24 income years. Under the Government's new Skills and Training Boost, Distribute R Us can claim a bonus deduction of $120,000, reducing its tax bill by $30,000. This is extra money that Distribute R Us can use to reinvest and grow the business. *Source: Budget 2022-23 More jobs and a strong economy*

Source: Budget Paper No. 2 page 26; and
Budget 2022-23: More jobs and a strong economy page 15

2022-23 Federal Budget - Varying the GDP uplift factor for PAYG and GST instalments

KEY POINTS

▪ The Government has announced that it will set the GDP uplift factor for pay as you go (PAYG) and GST instalments at two per cent in respect of instalments that relate to the 2022–23 income year and fall due after the enabling legislation receives Royal Assent.
▪ The two per cent GDP uplift rate — rather than the statutory 10 per cent — will apply to small to medium enterprises which have aggregated turnover of up to:
    ▪ $10 million — for GST instalments; and
    ▪ $50 million — for PAYG instalments.

Background

Each year the ATO adjusts GST and pay as you go (PAYG) instalment amounts using a formula known as the gross domestic product (GDP) adjustment. This is based on data published by the Australian Bureau of Statistics. In response to COVID-19, no GDP adjustment was required to be applied to working out quarterly GST and PAYG instalment amounts for the 2020–21 income year.

Lowering tax instalments in 2022–23

The Government announced as part of the 2022–23 Federal Budget that it has decided to set the GDP uplift factor for PAYG and GST instalments at two per cent — rather than the statutory 10 per cent — for instalments that relate to the 2022–23 income year and fall due after the enabling legislation receives Royal Assent.

> **START DATE**
>
> Applies to PAYG and GST instalments for the 2022–23 income year that fall due after enabling legislation receives Royal Assent

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

The two per cent GDP uplift rate will apply to small to medium enterprises eligible to use the relevant instalment methods, i.e. enterprises which have aggregated turnover of:

- up to $10 million — for GST purposes; and
- up to $50 million — for PAYG purposes.

Source: Budget Paper No. 2 page 29
Media Release: Cash flow support and red tape reduction to help small business, 23 March 2022

2022-23 Federal Budget - COVID-19 Response Package - Making COVID-19 business grants non-assessable non-exempt income

KEY POINTS
■ The Government has announced that it will extend the measure which enables payments from certain state and territory COVID-19 business support programs to be made non-assessable non-exempt income for tax purposes until **30 June 2022**. ■ The extension from the original end date of 30 June 2021 has already been legislated. ■ Eight further programs have been declared eligible for the concessional tax treatment since the 2021–22 MYEFO.

As part of the 2022–23 Federal Budget, the Government announced that it will extend the measure which enables payments from certain state and territory COVID-19 business support programs to be made non-assessable non-exempt (NANE) for income tax purposes until 30 June 2022.

APPLICATION DATE

Grant payments received in the 2020–21 and 2021–22 financial years

Background

This measure which was originally announced on 13 September 2020 was to end on 30 June 2021. The *Treasury Laws Amendment (COVID-19 Economic Response) Act*[63] amended s. 59-97 of the *ITAA 1997* to allow a grant program to be declared an eligible program until **30 June 2022**.

In recognition that NANE tax treatment is to be provided only in exceptional circumstances, eligibility is limited to COVID-19 grant programs directed at supporting businesses that are the subject of a public health directive applying to a geographical area in which the businesses operate and whose operations have been significantly disrupted as a result of a public health directive.

Under s. 59-97 of the *ITAA 1997*, a payment an entity receives is NANE income if:

- the entity receives the payment under a grant program administered by a State or Territory, or an authority of a State or Territory;
- the Minister declares the program to be an eligible program;
- the entity receives the payment in the 2020–21 or 2021–22 financial year;
- the entity is a small business entity, or would be a small business entity if the $10 million aggregated turnover threshold were instead $50 million.

[63] Which received Royal Assent on 30 June 2021 as Act No. 71 of 2021.

State grant programs made eligible for NANE treatment since 2021–22 MYEFO

The Government has made the following grant programs eligible for NANE treatment since the 2021–22 MYEFO:

State	Programs declared since 2021–22 MYEFO
New South Wales	▪ Accommodation Support Grant ▪ Commercial Landlord Hardship Grant ▪ Performing Arts Relaunch Package ▪ Festival Relaunch Package ▪ 2022 Small Business Support Program
Queensland	▪ 2021 COVID-19 Business Support Grant
South Australia	▪ COVID-19 Tourism and Hospitality Support Grant ▪ COVID-19 Business Hardship Grant

Source: Budget Paper No. 2 page 17

2022-23 Federal Budget - Concessional tax treatment for primary producers generating revenue from carbon credit units and biodiversity certificates

KEY POINTS

▪ The Government has announced that it will apply concessional tax treatment to primary producers that generate revenue from the sale of Australian Carbon Credit Units (ACCUs) and biodiversity certificates.
▪ Under the proposed tax changes:
  ▪ farmers will treat revenue from the sale of ACCUs as primary production income, providing access to income tax averaging arrangements and the Farm Management Deposit scheme;
  ▪ revenue from ACCUs will be recognised in the year of sale to support cash flow;
  ▪ biodiversity certificates will treated in the same way as ACCUs.
▪ Proposed to commence from **1 July 2022**.

Background

Currently, proceeds from selling Australian Carbon Credit Units (ACCUs) are treated as non-primary production income and are generally ineligible for concessional tax treatment under the Farm Management Deposit 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 prior to sale.

START DATE

From 1 July 2022

Proposed changes to the tax treatment of ACCUs and biodiversity certificates

In the lead up to the 2022–23 Federal Budget, the Minister for Industry, Energy and Emissions Reduction, Angus Taylor, together with the Minister for Agriculture and Northern Australia, David Littleproud, and Assistant Treasurer, Michael Sukkar announced on 21 March 2022 that the Government will apply concessional tax treatment to primary producers that generate revenue from the sale of ACCUs and biodiversity certificates.

Under the proposed tax changes:

- farmers will treat revenue from the sale of ACCUs as primary production income, providing access to income tax averaging arrangements and the Farm Management Deposit scheme;
- revenue from ACCUs will be recognised in the year of sale to support cash flow;
- the treatment of biodiversity certificates will be aligned with the treatment of ACCUs.

Source: Budget Paper No. 2 page 26;
and Minister for Industry, Energy and Emissions Reduction Media Release:
Tax Changes for farmers to bolster land stewardship, dated 21 March 2022

Companies

2022-23 Federal Budget - Patent Box expansion

KEY POINTS
■ The Government has announced that it will expand the Patent Box regime previously announced in the 2021–22 Federal Budget to: ▪ update policy specifications for Australian medical and biotechnology innovations to allow for patents granted or issued after 11 May 2021, and various patents issued by the US and Europe, to be eligible for the regime; ▪ support practical, technology-focused innovations in the Australian agricultural sector; ▪ support commercialised patented technologies which have the potential to lower emissions. ■ For the agricultural sector and low emissions technology innovations, eligible corporate income will be subject to an effective tax rate of 17 per cent in relation to rights and patents granted after 29 March 2022 and for income years starting on or after 1 July 2023.

As part of the 2022–23 Federal Budget, the Government announced that it will expand the patent box regime previously announced in the 2021–22 Federal Budget and currently before Parliament.[64]

[64] On 10 February 2022, the *Treasury Laws Amendment (Tax Concession for Australian Medical Innovations) Bill 2022* was introduced into Parliament. The Bill proposes to amend the *ITAA 1997* to fully implement the 'Patent Box — tax concession for Australian medical and biotechnology innovations' measure previously announced in the 2021–22 Federal Budget. The Bill proposes concessional tax treatment for eligible ordinary and statutory income derived by a corporate taxpayer from exploiting a medical or biotechnology patent (referred to as the Australian 'Patent Box' regime).

Updated policy specifications for Australian medical and biotechnology innovations

The Government will expand the patent box regime to update its current policy specifications to allow:

- patents granted or issued after 11 May 2021 to be eligible for the regime; and
- standard patents granted by IP Australia, utility patents issued by the United States Patent and Trademark Office (USPTO), and European patents granted under the European Patent Convention (EPC) to be eligible — however, taxpayers will still only benefit from the concessional tax treatment under the patent box to the extent that the R&D occurred in Australia.

Expanding the patent box to the agricultural sector and low emissions technology

The Government will expand the patent box regime to provide concessional tax treatment for corporate taxpayers who commercialise their:

START DATE
Rights and Patents granted or issued after 29 March 2022 and income years starting on or after 1 July 2023

- eligible patents linked to agricultural sector innovations — in particular patents linked to agricultural and veterinary chemical products listed on the Australian Pesticides and Veterinary Medicines Authority, Public Chemicals Registration Information System register or eligible Plant Breeder's Rights;
- patented technologies which have the potential to lower emissions.

Eligible corporate income will be subject to an effective income tax rate of 17 per cent for 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 expansion into agriculture and low emission technologies.

Source: Budget Paper No. 2 pages 22 - 24

Tax exempt entities

2022-23 Federal Budget - Future Fund - extending income tax exemption to wholly owned Australian incorporated subsidiaries

KEY POINTS
■ The Government has announced that it will amend the law to exempt wholly owned Australian incorporated subsidiaries of the Future Fund Board of Guardians (Future Fund Board) 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.

Background

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.

START DATE
First income year after Royal Assent of enabling legislation

Extending tax exemption to the Future Fund Board's subsidiaries

As part of the 2022–23 Federal Budget, the Government announced that it will amend the law to exempt wholly owned Australian incorporated subsidiaries of the Future Fund Board from corporate income tax.

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

Source: Budget Paper No. 2 page 20

Superannuation

2022-23 Federal Budget - Supporting Retirees - Extension of the temporary reduction in superannuation minimum drawdown rates

KEY POINTS
▪ The Government has announced that the temporary reduction of the superannuation minimum drawdown requirements for account-based pensions and similar products will be extended for a further year to 30 June 2023. ▪ The effect of this proposed change is that default drawdown rates will be reduced by 50 per cent for another year if legislated.

As part of the 2022–23 Federal Budget, the Government announced that it will extend the 50 per cent temporary reduction of the superannuation minimum drawdown requirements for account-based pensions and similar products for a further year to 30 June 2023.

APPLICATION DATE

Proposed to extend to the 2022–23 income year

Background

The minimum drawdown requirements in the *SIS Regs* and *RSA Regs* determine the minimum amount of a pension that a retiree has to draw from their superannuation in order to qualify for tax concessions. Minimum payment amounts are determined by age and the value of the account balance at 1 July of each year.

As part of the initial response to the Coronavirus pandemic, the Government reduced the superannuation minimum drawdown rates by 50 per cent for the 2019–20 and 2020–21 income years.[65] This was subsequently extended to the 2021–22 income year.[66]

Announcement

The effect of the proposed extension of the temporary reduction to the 2022–23 income year is that the minimum pension drawdown rates for account-based pensions will be:

65 Schedule 10 to the *Coronavirus Economic Response Package Omnibus Act 2020*.

66 By the *Superannuation Legislation Amendment (Superannuation Drawdown) Regulations 2021* registered on 24 June 2021.

	Drawdown rates (%)	
Age	**Default minimum**	**Rates for 2019–20, 2020–21, 2021–22 & 2022–23(proposed)**
Under 65	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 or more	14	7

Source: Budget Paper No. 2 page 28

Compliance

2022-23 Federal Budget - Reporting taxable payments on same lodgment cycle as activity statements

KEY POINTS
▪ The Government has announced that — subject to software providers being able to have systems in place — businesses will have the option to report *Taxable Payments Reporting System* data (via accounting software) on the same lodgment cycle as their activity statements.
▪ 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.

Background

Businesses are required to report payments made to contractors or subcontractors during the financial year in their *Taxable payments annual report* (TPAR). The report must be lodged by 28 August each year.

Payments which must be reported are amounts on invoices for both labour and materials from contractors or subcontractors for the following services:

- building and construction services
- cleaning services
- courier services
- road freight services
- IT services
- security, investigation or surveillance services.

Proposal for smarter reporting of taxable payments reporting system data

START DATE
1 January 2024 for periods starting on or after that date

The Government announced as part of the 2022–23 Federal Budget that it proposes to allow businesses the option to report *Taxable Payments Reporting System* data (via accounting software) on the same lodgment cycle as their activity statements.

It is anticipated that — subject to advice from software providers about their capacity to deliver the required systems by 31 December 2023 — the measure will commence on 1 January 2024, for application to periods starting on or after that date.

The Government will consult with affected stakeholders, tax practitioners and digital service providers to finalise the policy scope, design and specifications of the measure which is expected to increase accuracy and timeliness of reporting while lowering compliance costs.

Source: Budget Paper No. 2 page 28

▶ 2022-23 Federal Budget - Strengthening the Australian Business Number system

KEY POINTS
■ The Government has announced that it will defer the start date of the *Black Economy — strengthening the Australian Business Number (ABN) measure* announced in the 2019–20 Federal Budget by 12 months to assist with integration into the Australian Business Registry Services (ABRS). ■ As a result: ▪ from 1 July 2022 — ABN holders, with an income tax return obligation, will be required to lodge their income tax return; and ▪ from 1 July 2023 — ABN holders will be required to confirm the accuracy of their details on the Australian Business Register annually.

Background

As part of the 2018–19 Federal Budget[67], the Government announced that it would consult on and design a new regulatory framework for the ABN system.[68]

On 20 July 2018, the Government released a Consultation Paper, *Tackling the Black Economy — Designing a modern Australian Business Number system*. The paper posed a range of consultation questions on the purpose of the ABN system, entitlement to an ABN, using the ABN to support verification of legitimate businesses, and whether ABNs should be subject to renewal.

Currently, ABN holders are able to retain their ABN regardless of whether they are meeting their obligations to lodge income tax returns, or to update their ABN details on the Australian Business Register (ABR).

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67 And in order to implement Recommendation 4.2 of the *Black Economy Taskforce Final Report* (released in October 2017) which recommended that the ABN system be strengthened to provide improved confidence in the identity and legitimacy of Australian businesses.

68 See the 2018–19 Federal Budget measure *Black Economy Taskforce — consulting on a new regulatory framework for Australian Business Numbers*.

As part of the 2019–20 Federal Budget, the Government announced on 2 April 2019, that it would strengthen the ABN system to disrupt Black Economy behaviour.

In particular:

- from 1 July 2021, ABN holders, with an income tax return obligation would be required to lodge their income tax return; and
- from 1 July 2022, ABN holders would be required to confirm annually the accuracy of their details on the ABR.

Announcement

The Government will defer the start date of the *Black Economy — strengthening the Australian Business Number (ABN) system measure* announced in the 2019–20 Federal Budget by 12 months to assist with integration into the ABRS.

START DATE

1 July 2022 — income tax lodgment

1 July 2023 — annual confirmation

Source: Budget Paper No. 2 page 18; and
2019-20 Federal Budget: Budget Paper No. 2: page 13

2022-23 Federal Budget - Modernisation of PAYG instalment systems

KEY POINTS
■ The Government has announced that it will allow companies to choose to have their pay as you go (PAYG) instalments calculated based on current financial performance, extracted from their business accounting software, subject to some tax adjustments.
■ The Government will consult with affected stakeholders, tax practitioners and digital service providers to finalise the policy scope, design and specifications of this measure.
■ Proposed to commence on 1 January 2024 for periods starting on or after that date — subject to software providers' capacity to deliver operational systems by 31 December 2023.

As part of the 2022–23 Federal Budget, the Government announced that it will provide companies with the option of having their pay as you go (PAYG) instalments calculated based on current financial performance, extracted from their business accounting software, subject to some tax adjustments.

START DATE

Periods starting on or after 1 January 2024

The measure proposes to leverage from a company's electronic reporting systems to improve the alignment between PAYG instalment liabilities and profitability. The measure should also reduce compliance costs, improve processing times and support cash flow management for SMEs (for example the measure may enable a company to automatically receive refunds of instalments paid if financial performance declines).

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

Source Budget Paper No. 2 page 21; and
the Joint Media Release by the Treasurer, the Minister for Employment, Workforce, Skills, Small and Family Business and the Minister Assisting the Prime Minister and Cabinets: Cash flow support and red tape reduction to help small business, dated 23 March 2022

2022-23 Federal Budget - Extension of the ATO Tax Avoidance Taskforce

KEY POINTS
▪ The Government has announced that it will extend the operation of the ATO's Tax Avoidance Taskforce on multinationals, large corporates and high wealth individuals by two 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.

As part of the 2022–23 Federal Budget, the Government announced that it will extend the operation of the ATO's Tax Avoidance Taskforce on multinationals, large corporates and high wealth individuals by two years to 30 June 2025.

APPLICATION DATE
Until 30 June 2025

Background

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.

The taskforce aims to:

- detect tax avoidance to protect revenue and maintain the integrity of the tax system;
- increase transparency about how the ATO assesses risk and administers the tax system;
- develop a better understanding of commercial drivers and the industries in which taxpayers operate;
- improve the ATO's data, analytics, risk, and intelligence capabilities to decide on and manage tax avoidance risk;
- keep the community informed of the ATO's work in making public and private groups and wealthy individuals pay the right amount of tax in Australia.

Source: Budget Paper No. 2 page 29

2022-23 Federal Budget - Enhanced sharing of STP data

KEY POINTS
▪ The Government has announced that it will commit $6.6 million towards the development of IT infrastructure required to allow the ATO to share Single Touch Payroll (STP) data with State and Territory Revenue Offices on an ongoing basis.

As part of the 2022–23 Federal Budget, the Government announced that it will commit $6.6 million towards the development of IT infrastructure required to allow the ATO to share Single Touch Payroll (STP) data with State and Territory Revenue Offices on an ongoing basis.

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, to reduce compliance costs for businesses.

Source: Budget Paper No. 2 page 172

2022-23 Federal Budget - Digitalising trust income reporting and processing

KEY POINTS
▪ The Government has announced that it will digitalise trust and beneficiary income reporting and processing, by allowing all trust tax returns to be lodged electronically.
▪ This will allow greater pre-filling and automating of ATO assurance processes.
▪ The measure will commence from 1 July 2024, subject to advice from software providers.

START DATE

From 1 July 2024, subject to advice from software providers

In the lead up to the 2022–23 Federal Budget, the Treasurer, Josh Frydenberg in a joint media release with Stuart Robert, the Minister for Employment, Workforce, Skills, Small and Family Business and Ben Morton, the Minister Assisting the Prime Minister and Cabinet, announced on 29 March 2022 that the Government will digitalise trust and beneficiary income reporting and processing, by allowing all trust tax returns to be lodged electronically. This will allow greater pre-filling and automating of ATO assurance processes.

As trust income reporting and assessment calculation processes have not been automated to the same extent as individual or company tax returns, there are longer processing times and limited pre-filling opportunities. This measure, by facilitating the electronic lodgment for up to 30,000 trusts that currently lodge by paper, will reduce the compliance burdens on taxpayers, reduce processing times and enhance ATO processes.

Note

Currently trust tax returns for large managed investment trusts or public unit trusts are excluded from electronic lodgment[69].

Source Budget Paper No. 2 page 18; and Treasurer's, Minister for Employment, Workforce, Skills, Small and Family Business' and Minister Assisting the Prime Minister and Cabinet's Joint Media Release: Cash flow support and red tape reduction to help small business, dated 23 March 2022

[69] See ATO fact sheet 'Electronic lodgment' (QC 34532) at: www.ato.gov.au/Tax-professionals/Prepare-and-lodge/Lodgment-program-framework/Electronic-lodgment/

2022-23 Federal Budget - Temporary reduction in fuel excise

KEY POINTS
■ The Government has announced that it will reduce by 50 per cent the excise and excise-equivalent customs duty rate that applies to: ▪ petrol and diesel (current rate 44.2 cents per litre); ▪ all other fuel and petroleum-based products, except aviation fuels, for six months from 12.01 am on 30 March 2022 until 11.59 pm on 28 September 2022. ■ The existing indexation arrangement in August will continue, but on the halved rates. ■ The reduction in price of fuels to consumers should be greater because GST is levied on the lower excise rate.

APPLICATION DATE

From 12.01 am on 30 March 2022 until 11.59 pm on 28 September 2022

As part of the 2022–23 Federal Budget, the Government announced temporary relief from fuel price pressures by halving the excise and excise-equivalent customs duty rate that applies to petrol and diesel for six months.

The 50 per cent reduction will apply to the excise and excise-equivalent rates that apply to:

- petrol and diesel;
- all other fuel and petroleum-based products, except aviation fuels,

for six months from 12.01 am on 30 March 2022 until 11.59 pm on 28 September 2022.

The impact of the halving of the excise rates and excise equivalent goods customs duty rates is set out in the table below:

Fuel	Unit	Rate at 1 Feb 2022	Rate at 30 Mar 2022
Unleaded petrol such as U91, U95, U98 Diesel	$/litre	0.442	0.221
LPG	$/litre	0.144	0.072
LNG / CNG	$/kg	0.303	0.152
Various petroleum-based oils, lubricants and greases	$/litre and $/kg	0.085	0.043
Domestically produced — Denatured ethanol for use as fuel in an internal combustion engine	$/litre	0.145	0.072
Domestically produced — Biodiesel	$/litre	0.088	0.044

Fuel	Unit	Rate at 1 Feb 2022	Rate at 30 Mar 2022
Imported excise equivalent goods — Denatured ethanol for use as fuel in an internal combustion engine / Biodiesel	$/litre	0.442	0.221

Existing policy settings for fuel excise and excise-equivalent customs duty, including indexation in August, will continue but on the basis of the halved rates.

The excise and excise-equivalent customs duty rates will, at the end of the six-month period, revert to previous rates including indexation that would have occurred on those rates during the six-month period.

The Australian Competition and Consumer Commission (ACCC) will monitor the price behaviour of retailers to ensure that the lower excise rate is fully passed on to Australians.

Household savings in excise and GST per tank of fuel are estimated to be as follows:

	Estimated savings per tank ($)		
Size of car and fuel tank	**Excise**	**GST**	**Total**
Small hatchback – 40 litre petrol tank	$8.84	$0.88	$9.72
Mid-sized SUV – 60 litre petrol tank	$13.26	$1.33	$14.59
Large 4WD – 80 litre petrol tank	$17.68	$1.77	$19.45

Implications for businesses

Eligible businesses receive fuel tax credits (FTC) for the excise that is included in the price of fuel. The rate of the FTC depends on the size of the vehicle and where it is used. Heavy vehicles travelling on public roads have their FTC reduced by the road user charge (RUC).

The Government is not changing the existing RUC arrangements for heavy vehicles travelling on public roads, but the temporary reduction in fuel excise will provide a net benefit for heavy vehicle operators of 4.3 cents per litre from 30 March 2022, compared to current settings.[70]

Source: Budget Paper No. 2 page 15
Budget Fact sheet: Fuel excise

[70] This is because the RUC is currently 26.4 cents per litre of fuel used and, from 30 March 2022, the excise paid by heavy vehicles will be 22.1 cents per litre, which is less than the RUC. The FTC for heavy vehicles on public roads will reduce to nil.

2022-23 Federal Budget - Women's Budget Statement

KEY POINTS

▪ The Government has announced that it will invest a further $2.1 billion towards supporting women and girls.
▪ The Women's Budget Statement focuses on three priorities:
  ▪ Women's safety;
  ▪ Women's economic security;
  ▪ Women's health and wellbeing.
▪ Some of the key initiatives include:
  ▪ various measures to drive change to end violence against women and children;
  ▪ increased eligibility for the Paid Parental Leave scheme, including more flexibility for parents to share the full entitlement between them;
  ▪ initiatives to support women in workplaces and to encourage female leadership;
  ▪ funding for various aspects of women's health.

As part of the 2022–23 Federal Budget, the Women's Budget Statement provides a further $2.1 billion investment towards supporting women and girls. This Statement builds on the $3.4 billion investment made in the 2021–22 Federal Budget.

The Women's Budget Statement focuses on three priorities:

1. women's safety;
2. women's economic security;
3. women's health and wellbeing.

Some of the key initiatives include the following:

Women's safety

The Government will commit a further $1.3 billion to drive change to end violence against women and children. New initiatives include measures to:

- support the leading primary prevention organisation OurWatch;
- addressing consent and supporting respectful relationships, and providing a range of community-based prevention activities;
- provide counselling and support services to support victim-survivors, including improving training for service providers;
- provide safe and secure housing for women who leave violent relationships;
- ensure victim-survivors can rebuild their lives through recovery measures.

Women's economic security

The 2022–23 Federal Budget includes $482 million for measures to:

- drive progress towards gender equality in workplaces;
- establish the Community Child Care Fund for up to 20 new services in areas where there is limited or no access to child care ($19.4 million over five years from 2021–22);
- expand the Family Friendly Workplaces initiative;
- encourage women into trades, manufacturing, and digitally skilled roles; and supporting female entrepreneurs;
- consult on how to amend the *Fair Work Act 2009* to ensure redundancy payments more fairly reflect working hours over the course of a person's employment;
- support women into leadership positions;
- promote and create leadership, safety and employment opportunities for women in sport;
- expanding the Family Home Guarantee to support single parents to build or purchase a home.

Proposed changes to the Paid Parental Leave (PPL) scheme

The Government will invest $346.1 million over five years from 2021–22 to introduce the Enhanced Paid Parental Leave (Enhanced PPL) scheme, which expands accessibility to the current PPL.

Proposed changes to the current scheme include:

- integrating Dad and Partner Pay and Parental Leave Pay to provide eligible families access to up to 20 weeks leave to use in ways that suit their circumstances, reduce complexity and enable parents to share the full PPL entitlement between them;
- enabling dads and partners to be able to access the Government's scheme at the same time as any employer-funded leave;
- adjustments to the income test to include a household income threshold of $350,000 per year — currently, the income threshold of $151,350 applies to the mother only.

The Government intends to introduce the changes to the PPL no later than **1 March 2023**.

Women's health and wellbeing

The Government will invest $330.6 million to deliver initiatives that cover maternal health, sexual and reproductive health, ageing, chronic conditions, preventative health, and mental health.

Source: Budget Paper No. 2 (various measures); and Women's Budget Statement

2022-23 Federal Budget - Skills development and growing Australia's workforce - Apprenticeships

KEY POINTS
■ The Government has announced that it will support employers to engage and retain new apprentices and reform the Australian Apprenticeships system to sustain a skilled and responsive workforce by: ▪ introducing a new *Australian Apprenticeships Incentive System* from 1 July 2022; ▪ extending the *Boosting Apprenticeship Commencements and Completing Apprenticeship Commencements* wage subsidies by three months to 30 June 2022; ▪ increasing the apprenticeship In-Training Support by an additional 2,500 places for young Australians aged 15 to 20 years in the 2022–23 income year.

START DATE

Various

As part of the 2022–23 Federal Budget, the Government announced that it will provide funding to support employers to engage and retain new apprentices and reform the Australian Apprenticeships system to sustain a skilled and responsive workforce. Funding will include:

- introducing a new *Australian Apprenticeships Incentive System* from 1 July 2022, providing support to priority occuptions;
- extending the *Boosting Apprenticeship Commencements and Completing Apprenticeship Commencements* wage subsidies by three months to 30 June 2022;
- increasing the apprenticeship In-Training Support by an additional 2,500 places for young Australians aged 15 to 20 years in the 2022–23 income year.

This measure builds on the 2021–22 MYEFO measure titled *Supporting Jobs in the Economic Recovery* and the 2021–22 Budget measure titled *Building Skills for the Future — Boosting Apprenticeship Commencements wage subsidy — expansion.*

Source: Budget Paper No. 2 page 76

2022-23 Federal Budget - Insolvency Reform - Additional funding

KEY POINTS
■ The Government has announced that it will provide additional funding to further reform insolvency arrangements, including: ▪ reforms to unfair preference rules; ▪ clarifying the treatment of trusts with corporate trustees; ▪ implementing the Government's response to the recommendations of the *Independent Safe Harbour Review.*

START DATE
To be advised

As part of the 2022–23 Federal Budget, the Government announced that it will provide an additional $29.8 million over four years to further reform insolvency arrangements. Funding will include:

- reforms to unfair preference rules, including enhancing the Assetless Administration Fund, from 1 July 2023;
- clarifying the treatment of trusts with corporate trustees under Australia's insolvency laws;
- implementing the Government's response to the recommendations of the *Independent Safe Harbour Review.*

Source: Budget Paper No. 2 page 171

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