



Day One Advisory

Budget 2022-23



Summary

The Federal Government has handed down their budget for 2022-23 and we've combed through the budget paper to bring you the budget measures relevant for businesses and business owners.

Overall this is a disappointing budget for business owners with little support to alleviate cash flow struggles, reduce staff shortages or improve the current supply chain issues. It appears to be a fairly short term budget which should be no surprise given it's an election year and doesn't provide much in the way of long term sustainable support.

The existing measures such as temporary full expensing and company loss carry back are not being extended beyond 30 June 2023 which is a shame.

It's not all doom and gloom though, there are some short term measures that will put cash back in your pocket such as reducing fuel excise by 22.1 cents per litre making fuel cheaper at the pump, an increase of \$420 to the Low and Middle Income Tax Offset and some additional deductions for expenditure on employee training and technology investment.



Key budget measures

Small business skills and training boost

Businesses with aggregated turnover of less than \$50m will be able to deduct an additional 20% of expenditure incurred on external training courses. From tonight, if you pay \$1,000 for an external training course for example, you will be able to deduct \$1,200 which will reduce tax by an additional \$50 if you assume a tax rate of 25%.

The training course needs to be delivered by an entity in Australia but it can be online.

It will be important to track this within your accounting software so that come year end, the additional 20% tax deduction can be applied against the expense.

Small business technology investment boost

Similar to the skills and training boost above, businesses with an aggregated turnover below \$50m will be able to deduct an additional 20% on expenditure (including capital expenditure) that supports digital adoption on products such as POS terminals, cyber security systems and software subscriptions.

This measure applies for expenditure incurred from tonight up to a maximum of \$100k per year.

We'll need to wait to see the details on this one so we know what expenses will be eligible. We'll keep you posted when we find out more.



Low and Middle Income Tax Offset (LMITO) increase

The LMITO has been increased for the 2022 financial year by \$420. This will take the existing LMITO from \$1,080 to \$1,500 per person or \$3,000 for couples. The LMITO increase is designed to help alleviate some of the increased cost of living.

The LMITO is a non-refundable tax offset that will be taken into account when lodging your tax return. This isn't a separate one-off payment but rather a reduction in your 2022 tax liability.

The other features of the LMITO remain the same so the amount of the offset you receive will be dependent on your taxable income.

While that may sound great for this year, the LMITO will end after the 2022 financial year so this tax offset won't be available for 2023.

Fuel excise cut

The excise on fuel has been temporarily cut to reduce the price of fuel. This will be a welcome relief for those on the road regularly and is expected to reduce the cost of fuel by 22.1 cents per litre (maybe more if you factor in GST).

It may take a couple of weeks for the reduction in the fuel excise to be reflected at the bowser but it will come and I'm sure the ACCC will be keeping a close eye on it.

Wage subsidies for employing apprentices

There is a wage subsidy of \$15,000 for employers who take on a new apprentice as well as a payment of \$5,000 directly to apprentices if they take up an apprenticeship in a priority industry.



COVID-19 grants made Non-assessable Non-exempt Income

The following grants paid during the 2022 financial year are not assessable for tax purposes:

- 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.

Regional Accelerator Program (RAP)

The RAP is a new program established to drive growth and productivity in regional areas. The program will provide funding for existing programs aimed at regional businesses to develop manufacturing, skills and training, R&D and education.

We'll need to wait and see what support this program will provide but businesses in regional areas should keep an eye out on this one as there may be grants or extensions to existing grants available to assist in developing your regional business.



Other measures to note

Tax deductibility of COVID-19 test expenses

The Government has specifically made the cost of COVID-19 tests tax deductible for the 2022 financial year provided those tests were taken to attend work. In addition, businesses won't have to pay Fringe Benefits Tax (FBT) on any tests provided to employees.

This measure was announced earlier in the year so isn't new but still worth acknowledging.

Modernising the PAYG Instalment system

From 1 January 2024, the way PAYG instalments are calculated for companies will change so that you can use current financial data to calculate PAYG instalments.

Given all taxpayers currently have the ability to amend their PAYG instalments to be reflective of their current year performance we question the difference this will make but only time will tell.

In addition to the above, the Government has also reduced the GDP factor down from 10% to 2%. Again, we don't see much change for businesses on this front.

Improvements to the Taxable Payments Annual Report (TPAR) system

The improved system will allow businesses to report their payments to contractors when they lodge their BAS rather than needing a separate lodgement each year.

This measure is expected to apply from 1 January 2024.



Paid parental leave scheme

The Government will combine the Paid Parental Leave scheme and Dad and Partner Pay into a new scheme called Parental Leave Pay. This will provide 20 weeks of flexible and shareable leave for new parents.

Cost of living payment

Those individuals on a pension, carer allowance and other support payments as well as those with a concession card holder will receive a one-off \$250 payment in April 2022 to help with the increased cost of living.

Digitising trust records

From 1 July 2024 (subject to this being able to be implemented by software providers), the lodgement of trust tax returns will be improved resulting in faster processing times and better prefill reporting.

Mental health support for business owners

There is an additional \$4.6m of funding for the New Access for Small Business Owners program that provides free, accessible mental health support for small business owners.

Housing guarantee scheme

If you're looking to buy your first house, the number of guarantees under the Home Guarantee Scheme has been increased to help more people buy a house.



Day One Advisory

dayoneadvisory.com.au

(03) 9607 7140