

Australian Institute of Quantity Surveyors
Federal Budget summary 2021-22

Federal Budget summary 2021-22

Tuesday, May 11 2021

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Federal Government Budget webinar

We'll cover key implications of the 2021-22 Budget and hold a Q&A at the conclusion.

This is always one of our most anticipated sessions of the year; don't miss out on this key info that will assist you with your clients in the coming months.

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2021-22 Federal Budget Summary

2021-22 Federal Budget quick reference timeline

Tax Data 2021

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Federal Budget 2021-22: Timeline of proposed date of effect - Click any item to read full article

2020-21 Income year
Income tax exemption from 1 July 2020 for pay and allowances of ADF personnel deployed to Operation Paladin.
New Zealand to maintain primary taxing rights for the 2020-21 and 2021-22 income and FBT years over members of its sporting teams located in Australia.
Boosting Apprenticeship Commencements wage subsidy — from 5 October 2020 to 31 March 2022, reimbursement up to 50 per cent of an apprentice or trainee's wages of up to \$7,000 per quarter.
Temporary full expensing — extended by 12 months, available to eligible businesses for eligible assets acquired from 7.30pm AEDT on 6 October 2020 and first used or installed by 30 June 2023.
Temporary loss carry back — extended by 12 months, to allow eligible companies to carry back tax losses from the 2022-23 income year to offset previously taxed profits as far back as 2018-19.
SME Recovery Loan Scheme loans available from 1 April 2021 until 31 December 2021.
Medicare levy low-income thresholds increased for singles, families, and seniors and pensioners from 1 July 2020.
From 1 July 2021
Funding of \$28.2 million over four years and \$2 million over two years to support the sustainability of private health insurance and improve affordability for patients.
New organisations approved for DGR status
Funding of \$782.1 million over four years from 2021-22 to increase home ownership, support jobs in the residential construction sector and enhance housing data

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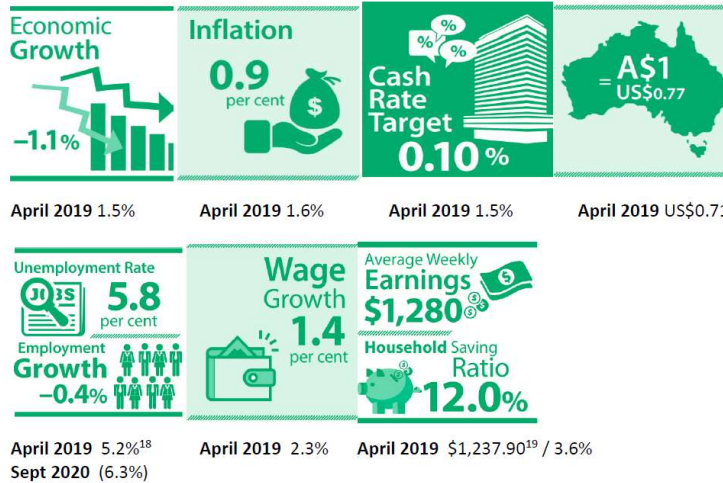
Introduction

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Snapshots of the Australian economy from the Reserve Bank of Australia — April 2021

Economic indicators

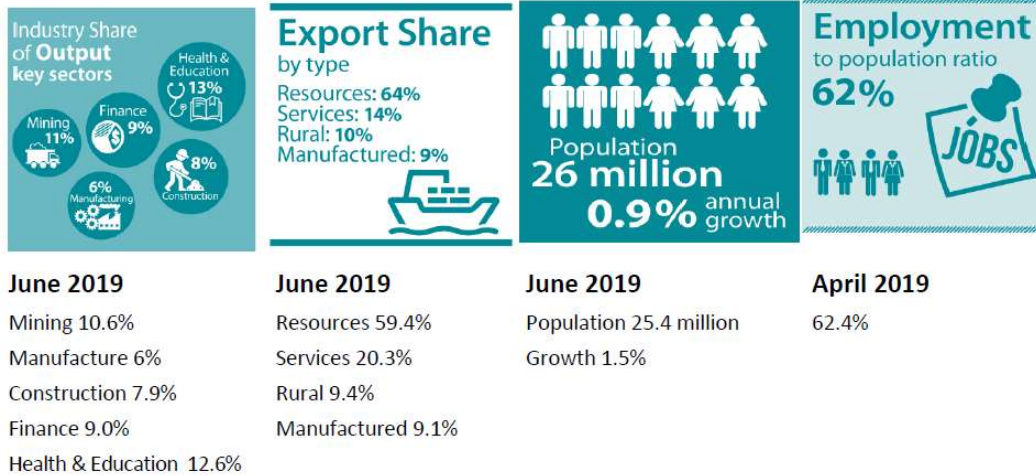


8



Snapshots of the Australian economy from the Reserve Bank of Australia — April 2021

Composition of the Australian economy



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Key information leading up to the 2021–22 Federal Budget

	Actual 2018–19	Actual 2019–20	MYEFO 2020–21	Forecasts		
				Budget 2021–22	Budget 2022–23	Budget 2023–24
Underlying cash position	(\$0.7b)	(\$85.3b)	(\$197.7b)	(\$106.6b)	(\$99.3b)	(\$79.5b)
Economic growth						
Real GDP	1.9%	(0.2%)	0.75%	4.25%	2.5%	2.25%
Nominal GDP	5.3%	1.7%	1.0%	3.5%	2.0%	4.75%
Unemployment rate	5.2%	6.9%	7.25%	5.0%	4.75%	4.5%
CPI — inflation	1.6%	(0.3%)	2.25%	1.75%	2.25%	2.5%
Net debt	373.5	491.2	703.2	729.0	835.0	920.4

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Key information leading up to the 2021–22 Federal Budget

	Actual 2018–19	Actual 2019–20	MYEFO 2020–21	Actual 2020–21
Underlying cash position	(\$0.7b)	(\$85.3b)	(\$197.7b)	(\$161b)
Economic growth				
Real GDP	1.9%	(0.2%)	0.75%	1.25%
Nominal GDP	5.3%	1.7%	1.0%	3.75%
Unemployment rate	5.2%	6.9%	7.25%	5.5%
CPI — inflation	1.6%	(0.3%)	2.25%	3.5%
Net debt	373.5	491.2	703.2	618

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Significant income tax and related measures

- Significant income tax and related policy decisions which have been made since the 2020–21 Federal Budget included the following:
 - Temporary full expensing — expansion of eligibility and minor amendments
 - COVID-19 Response Package — Further updates to making Victoria’s business support grants NANE for tax purposes
 - COVID-19 Response Package — HomeBuilder — extension from 1 January 2021 to 31 March 2021
 - COVID-19 Response Package — continuing aviation support
 - JobMaker Plan — Boosting Apprenticeship Commencements — revised eligibility
 - Philanthropy — incentivising charities to join the National Redress Scheme for Institutional Child Sexual Abuse

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Significant income tax and related measures

- Significant superannuation policy decisions which have been taken since the 2019–20 MYEFO include the following:
 - Superannuation — amendments to commutation rules for certain income stream products
 - Superannuation — KiwiSaver accounts

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Budget Measures

14



Individuals

15



2021-22 Federal Budget - Modernising the individual tax residency rules

- The Government has announced that the individual tax residency rules will be simplified and modernised by replacing the current rules with:
 - a primary 'bright line' test — under which a person who is physically present in Australia for 183 days or more in an income year will be an Australian resident for tax purposes;
 - secondary tests depending on a combination of physical presence and measurable, objective criteria — for individuals who do not meet the primary test.
- Proposed to commence from the first income year after Royal Assent of the enabling legislation.

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2021-22 Federal Budget - Private Health Insurance - Building sustainability of the sector and improving affordability for patients

- The Government has announced that, from 1 July 2021, it will implement initiatives to support the sustainability of private health insurance and improve affordability for patients. This will include funding:
 - the current policy settings for the income thresholds for Medicare Levy Surcharge and Private Health Insurance Rebate;
 - to modernise and improve the administration of the Prostheses List;
 - to support the introduction of an improved certification process when admitting patients to hospital;
 - an independent study to investigate private hospital default benefit arrangements;
 - to improve Private Health Insurance program modelling capabilities.

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2021-22 Federal Budget - Reducing compliance costs for self-education expense deductions

- The Government has announced that it will remove the exclusion of the first \$250 of deductions for prescribed courses of education.
- Currently, under s 82A of the *ITAA 1936*, the first \$250 of a prescribed course of education expense is not deductible. However, the \$250 reduction can be offset by expenses that are not deductible under s. 8-1, often resulting in no reduction to the self-education deduction.
- Removing s. 82A will therefore reduce compliance costs.
- The measure will apply for the first income year after Royal Assent of enabling legislation.

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2021-22 Federal Budget - Retaining the low and middle income tax offset for the 2021-22 income year

- The Government has announced that the Low and Middle Income Tax Offset — capped at \$1,080 — will be retained for the 2021–22 income year.

Relevant income for the income year	LMITO amount
\$37,000 or less	\$255
\$37,001 to \$48,000	\$255, plus 7.5 per cent of the amount of relevant income exceeding \$37,000 (to a maximum benefit of \$1,080)
\$48,001 to \$90,000	\$1,080 (maximum)
\$90,001 to \$126,000	\$1,080, less three per cent of the amount of relevant income exceeding \$90,000

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2021-22 Federal Budget - Increasing the Medicare levy low-income thresholds

- The Government has announced that the Medicare levy low-income thresholds will be increased for singles, families, and seniors and pensioners from 1 July 2020.
- 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.

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2021-22 Federal Budget - Personal Income Tax - exemption for pay and allowances for Operation Paladin

- The Government has announced that from 1 July 2020 it will provide a full income tax exemption for the pay and allowances of Australian Defence Force (ADF) personnel deployed to Operation Paladin from 1 July 2020.

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2021-22 Federal Budget - Newly Arrived Residents Waiting Period

- The Government has announced that it will apply a consistent four-year Newly Arrived Resident's Waiting Period across most welfare payments from 1 January 2022.

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Companies

23



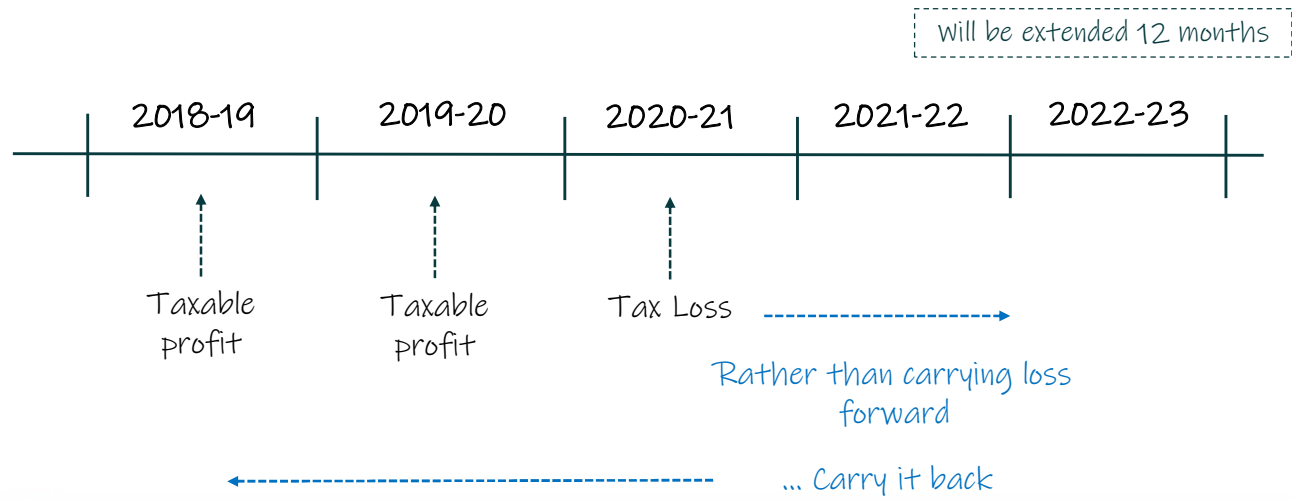
2021-22 Federal Budget - Temporary loss carry-back extension

- The Government has announced that it will extend for one year the temporary loss carry-back measure that was implemented following the 2020–21 Federal Budget.
- This will allow companies with aggregated turnover of up to \$5 billion to carry back (utilise) tax losses from the 2022–23 income year to offset previously taxed profits as far back as the 2018–19 income year when they lodge their 2022–23 tax return.

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Whiteboard



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2021-22 Federal Budget - Corporate collective investment vehicle revised start date

- The Government has announced the revised start date of 1 July 2022 for the introduction of the new corporate collective investment vehicle which was first announced in the 2016-17 Federal Budget and was originally proposed to start on 1 July 2017.
- The new corporate collective investment vehicle will allow fund managers to offer investment products using a vehicle that is more familiar to overseas investors.

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2021-22 Federal Budget - Employee Share Schemes - Removing cessation of employment as a taxing point

- The Government has announced that it will remove the cessation of employment taxing point for tax-deferred Employee Share Schemes (ESS) that are available for all companies, as well as reduce red tape associated with offering ESS.
- It is intended that the amendments will make it easier for businesses to offer employee share schemes help Australian companies to engage and retain the talent they need to compete on a global stage.
- Proposed to apply to ESS interests issued from the first income year after the date of Royal Assent of the enabling legislation.

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2021-22 Federal Budget - Patent Box - tax concession for Australian medical and biotechnology innovations

- The Government has announced that it will introduce a patent box regime designed to encourage innovation in Australia by taxing corporate income derived from Australian medical and biotechnology patents at a concessional effective corporate tax rate of 17 percent.
- Proposed to commence from **1 July 2022**.

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2021-22 Federal Budget - Junior Minerals Exploration Incentive extended to 30 June 2025

- The Government has announced that it will extend the Junior Minerals Exploration Incentive (JMEI) program by four years so that instead of finishing on 30 June 2021, the JMEI program will finish on **30 June 2025**.
- The Government will also make minor legislative amendments to allow unused exploration credits to be redistributed a year earlier than under current settings.

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2021-22 Federal Budget - Review of venture capital tax concessions

- The Government has announced that it will undertake a review of the tax incentives designed to attract foreign investment and encourage venture capitalists to invest in early-stage Australian companies.
- The timeframe for the review is yet to be announced.

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Small business

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2021-22 Federal Budget - SME Recovery Loan Scheme

- The SME Recovery Loan Scheme which provides participating lenders with a guarantee for 80 per cent of secured or unsecured loans of up to \$5 million for a term of up to 10 years and with interest rates capped at 7.5 per cent will be extended to support SMEs that:
 - have a turnover of up to \$250 million;
 - either:
 - received the JobKeeper Payment for the March 2021 quarter; or
 - were located or operated in a disaster declared area in respect of the March 2021 floods in NSW.
- Loans will be made available from **1 April 2021** until **31 December 2021**.

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2021-22 Federal Budget - Increased powers for the AAT to pause ATO debt recovery in disputed small business tax decisions

- The Government has announced that it will extend the power of the Administrative Appeals Tribunal (AAT) to pause or modify ATO debt recovery action in relation to disputed debts being reviewed by the Small Business Taxation Division of the AAT.
- Small businesses will have an avenue to ensure that they are not required to start paying a disputed debt until the underlying dispute has been decided by the AAT.
- ATO debt recovery actions that may be affected include:
 - recovery of the underlying debt;
 - application of garnishee notices;
 - recovery of related penalties and interest.
- Proposed to apply to small business entities in respect of proceedings commenced before the AAT **on or after the date of Royal Assent** of the enabling legislation.

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Deductions

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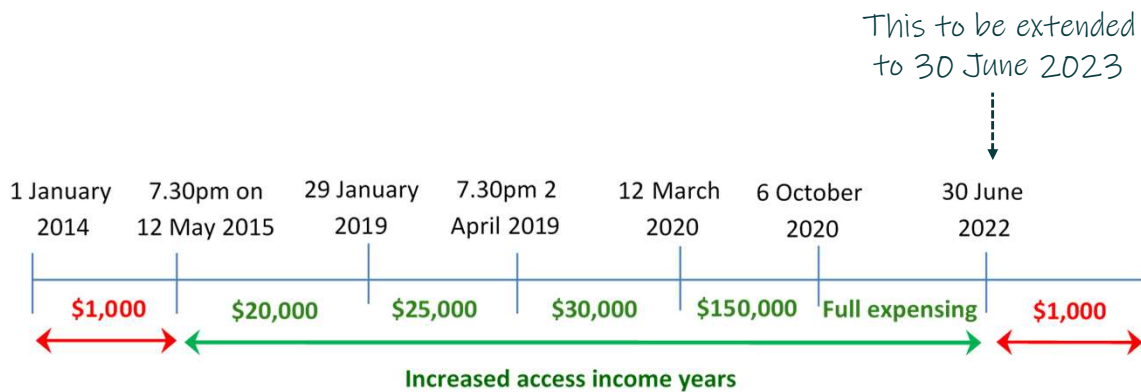
2021-22 Federal Budget - Temporary full expensing extension

- The Government has announced that it will extend the temporary full expensing of depreciating assets measure for 12 months until 30 June 2023.
- This means that businesses with aggregated annual turnover or total income of up to \$5 billion will be able to deduct the full cost of eligible depreciating assets acquired from 7.30pm AEDT on 6 October 2020 and first used or installed ready for use by **30 June 2023**.

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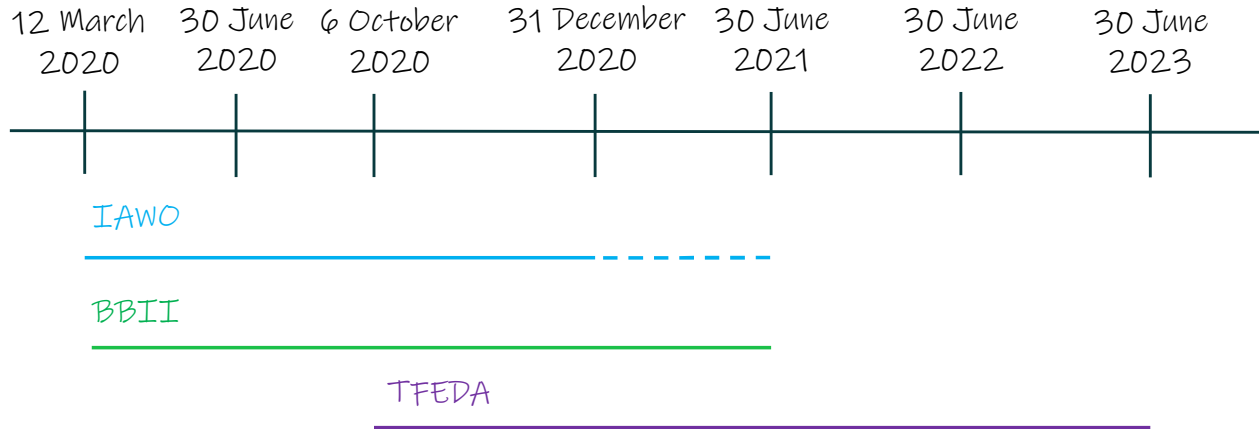
Whiteboard



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Whiteboard



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Whiteboard

- From 1 July 2020 to 2020 Budget time | Assets other than depreciating asset lease assets

Business taxpayer with turnover <\$10m — From 1 July 2020 to 2020 Budget time		
Asset held and start to use (or have installed ready for use) for a taxable purpose in the current year		
	Using Subdiv 328-D	Using Div 40
<\$150,000 brand new	IAWO (cost × TPP)	Div 40 (PC or DVM) + BBI incentive*
<\$150,000 second hand	IAWO (cost × TPP)	Div 40 (PC or DVM)
\$150,000+ brand new	Pool (cost by TPP) + BBI incentive [^] = 57.5%	Div 40 (PC or DVM) + BBI incentive*
\$150,000+ second hand	Pool (cost × TPP) × 15%	Div 40 (PC or DVM)

* Can choose to opt out of BBI incentive on an asset-by-asset basis

[^] Under Subdiv 328-D there is no ability to opt out of the BBI incentive

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Whiteboard

- From 1 July 2020 to 2020 Budget time | Depreciating asset lease assets

Business taxpayer with turnover <\$10m — From 1 July 2020 to 2020 Budget time			
Asset held and start to use (or have installed ready for use) for a taxable purpose in the current year			
	Depreciating asset lease used in carrying on a business		Depreciating asset lease not used in carrying on a business
	Using Subdiv 328-D	Using Div 40	
<\$150,000 brand new	A depreciating asset lease asset is excluded from Subdiv 328-D — revert to Div 40	Div 40 (PC or DVM) + BBI incentive*	Div 40 (PC or DVM)
<\$150,000 second hand		Div 40 (PC or DVM)	Div 40 (PC or DVM)
\$150,000+ brand new		Div 40 (PC or DVM) + BBI incentive*	Div 40 (PC or DVM)
\$150,000+ second hand		Div 40 (PC or DVM)	Div 40 (PC or DVM)

* Can choose to opt out of BBI incentive on an asset-by-asset basis

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Whiteboard

- From 2020 Budget time to 30 June 2022 (30 June 2023) | Assets other than depreciating asset lease assets

Business taxpayer with turnover <\$10m — From 2020 Budget time to 30 June 2022				
Asset held and start to use (or have installed ready for use) for a taxable purpose in the current year				
	Subdiv 328-D	Choose TFEDA on an asset-by-asset basis [^]	Div 40	
	Cannot choose TFEDA on an asset-by-asset basis		Opt out of TFEDA on an asset-by-asset basis	
			2020 Budget time to 30 June 2021	2021–22
<\$150,000 brand new	TFEDA	TFEDA	Div 40 (PC or DVM) + BBI incentive*	Div 40 (PC or DVM)
<\$150,000 second hand	TFEDA	TFEDA	Div 40 (PC or DVM)	Div 40 (PC or DVM)
\$150,000+ brand new	TFEDA	TFEDA	Div 40 (PC or DVM) + BBI incentive*	Div 40 (PC or DVM)
\$150,000+ second hand	TFEDA	TFEDA	Div 40 (PC or DVM)	Div 40 (PC or DVM)

* Can choose to opt out of BBI incentive on an asset-by-asset basis

[^] This maximises the deduction for the taxpayer

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Whiteboard

- From 2020 Budget time to 30 June 2022 (30 June 2023) | Depreciating asset lease assets

Business taxpayer with turnover <\$10m — From 2020 Budget time to 30 June 2022 Asset held and start to use (or have installed ready for use) for a taxable purpose in the current year					
	Depreciating asset lease used in carrying on a business				Depreciating lease not used in carrying on a business
	Subdiv 328-D	Div 40			
		Choose TFEDA on an asset-by-asset basis	Opt out of TFEDA on an asset-by-asset basis		
			2020 Budget time to 30 June 2021	2021–22	
<\$150,000 brand new	A depreciating asset lease asset is	TFEDA	Div 40 (PC or DVM) + BBI incentive*	Div 40 (PC or DVM)	Div 40 (PC or DVM)
<\$150,000 second hand	excluded from Subdiv 328-D — revert to Div 40	TFEDA	Div 40 (PC or DVM)	Div 40 (PC or DVM)	Div 40 (PC or DVM)
\$150,000+ brand new		TFEDA	Div 40 (PC or DVM) + BBI incentive*	Div 40 (PC or DVM)	Div 40 (PC or DVM)
\$150,000+ second hand		TFEDA	Div 40 (PC or DVM)	Div 40 (PC or DVM)	Div 40 (PC or DVM)

* can choose to opt out of BBI incentive on an asset-by-asset basis

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2021-22 Federal Budget - Allowing taxpayers to self-assess the effective life of intangible assets

- The Government has announced that it will amend the Tax law to allow taxpayers to self-assess the effective life of certain intangible assets, rather than being required to use the effective life currently prescribed by statute.
- Proposed to apply to patents, registered designs, copyrights and in-house software acquired on or after **1 July 2023**.

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2021-22 Federal Budget - Allowing taxpayers to self-assess the effective life of intangible assets

- Under the law as currently enacted, the effective life for items of intangible assets covered by the announcement is prescribed by s. 40-95(7) of the *ITAA 1997* to be:

For this asset...	The effective life is...	
Standard patent	20 years	These effective lives broadly correlate to the period for which these assets can be registered (except for registered designs).
Innovation patent	8 years	
Petty patent	6 years	
Registered design	15 years	
Copyright (except copyright in a film)	The shorter of: (a) 25 years from when the taxpayer acquired the copyright; or (b) the period until the copyright ends.	
In-house software	5 years (unless allocated to a software development pool)	

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2021-22 Federal Budget - Reform of the TOFA hedging and foreign exchange rules

- The Government has announced that it will make technical amendments to the TOFA provisions which will include:
 - facilitating access to hedging rules on a portfolio hedging basis; and
 - reducing compliance costs and correcting unintended outcomes so that taxpayers are not subject to unrealised taxation on foreign exchange gains and losses unless this is elected.
- Proposed to commence for relevant transactions entered into on or after **1 July 2022**.

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Income — Grants and subsidies

45



2021-22 Federal Budget - Boosting Apprenticeship Commencements wage subsidy - expansion

- The Government has announced it will expand the *Boosting Apprenticeship Commencements wage subsidy* by:
 - uncapping the number of eligible places; and
 - increasing the duration of the subsidy to 12 months from the date an apprentice or trainee commences with their employer.
- From 5 October 2020 to 31 March 2022, eligible businesses of any size will be reimbursed up to 50 per cent of an apprentice or trainee's wages of up to \$7,000 per quarter for 12 months.
- An additional 5,000 gateway service places and in-training support services will be provided to encourage and support more women commencing in non-traditional trade occupations.

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2021-22 Federal Budget - 2021 Storms and Floods - tax treatment of qualifying grants

- The Government has announced that qualifying grants made to primary producers and small businesses affected by the storms and floods that occurred due to rainfall events between 19 February 2021 and 31 March 2021 will be non-assessable non-exempt income for tax purposes.
- Qualifying grants are Category D grants provided under the *Disaster Recovery Funding Arrangements 2018*.

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Residence

48



2021-22 Federal Budget - Government to consult on extending new corporate tax residency test to trusts and corporate limited partnerships

- The Government has announced that it will consult on broadening the previously announced amendment to the corporate residency test — under which a company that is incorporated offshore will be an Australian tax resident if it has a ‘significant economic connection to Australia’ — to trusts and corporate limited partnerships.
- The timeframe for the consultation is yet to be announced.

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International

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2021-22 Federal Budget - COVID-19 Response Package - Ensuring New Zealand maintains primary taxing right over its sporting teams and support staff

- The Government has announced that it will ensure New Zealand maintains its primary taxing right over members of its sporting teams and support staff in respect of Australian income tax and FBT liabilities that arise from exceeding the 183-day test in the double tax agreement as a result of being located in Australia for league competitions because of COVID-19.
- The measure will apply to the 2020–21 and 2021–22 income and FBT years.

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2021-22 Federal Budget - Updating the list of exchange of information jurisdictions

- The Government has announced that it will update the list of countries whose residents are eligible to access a reduced withholding tax rate of 15 per cent on certain distributions from Australian Managed Investment Trusts.
- Countries which have entered into information sharing agreements and are to be listed from 1 January 2022 are Armenia, Cabo Verde, Kenya, Mongolia, Montenegro and Oman.

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2021-22 Federal Budget - Removing the preferential tax treatment for offshore banking units

- The Government has announced that it will close the offshore banking unit (OBU) regime to new entrants by removing the Minister's ability to declare or determine an entity to be an OBU — effective from 26 October 2018; and
 - remove the concessional 10 per cent effective tax treatment for OBUs from the 2023–24 income year;
 - remove the interest withholding tax exemption from 1 January 2024.

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Tax-exempt entities

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2021-22 Federal Budget - Not-for-profits - enhancing the transparency of income tax exemptions

- The Government has announced that it will enhance the transparency of income tax exemptions claimed by not-for-profit entities (NFPs) by:
 - providing \$1.9 million in capital funding to the ATO in the 2022–23 income year to build an online system to enhance the transparency of income tax exemptions claimed by NFPs;
 - requiring income tax exempt NFPs with an active ABN to submit an online annual self-review form reporting information they would ordinarily use to self-assess their eligibility for exemption.

55



2021-22 Federal Budget - Philanthropy - Updates to the list of specifically listed deductible gift recipients

- The Government has announced that from 1 July 2021 the list of deductible gift recipients (DGRs) has been expanded to include the following organisations:
 - Australian Associated Press Ltd
 - Virtual War Memorial Limited
 - Scripture Union Queensland
- Two organisations have received an extension of their DGR status:
 - Cambridge Australia Scholarships Limited — to 30 June 2026
 - Foundation 1901 Limited — to 31 August 2026

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Related Laws

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2021-22 Federal Budget - Making child care more affordable

- The Government has announced that it will invest an additional \$1.7 billion into child care to encourage greater workforce participation and to reduce the cost of child care for approximately 250,000 families.
- The Government proposes to amend the child care subsidy as follows:
 - increase the child care subsidies available to families with more than one child **aged five and under** in child care — for a second child and subsequent children, the level of subsidy received will increase by 30 percentage points to a maximum subsidy of 95 per cent — from **11 July 2022**;
 - remove the \$10,560 cap on the child care subsidy for families with family income of \$189,391 to \$353,679 — from **1 July 2022**.

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2021-22 Federal Budget – Housing Package

- The Government has announced that it will provide \$782.1 million over four years from **2021–22** to increase home ownership, support jobs in the residential construction sector and enhance housing data.
- The various initiatives which will be funded include the following:
 - extending the HomeBuilder construction commencement requirement from six months to 18 months;
 - a Family Home Guarantee with 10,000 places to support single parents to enter the housing market with a deposit of as little as two per cent;
 - extending the First Home Loan Deposit Scheme to provide an additional 10,000 New Home Guarantees to allow eligible first home buyers to build a newly home or purchase a newly built home.

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2021-22 Federal Budget – Insolvency Reform

- The Government has announced that it will continue to examine ways to improve Australia’s insolvency laws.
- The Government will:
 - consult on options to:
 - clarify the treatment of trusts with corporate trustees;
 - improve schemes of arrangement processes, including introducing a moratorium on creditor enforcement during negotiation;
 - increase the statutory demand threshold from \$2,000 to \$4,000;
 - commence an independent review of the insolvent trading safe harbour.

60



2021-22 Federal Budget - Women's Budget Statement

- The Government has announced that it will invest \$3.4 billion towards promoting the values of respect, dignity, choice, equality of opportunity and justice for the benefit of women.
- 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 address workplace sexual harassment and gender equality;
 - a \$1.7 billion investment in child care affordability;
 - removal of the \$450 per month superannuation guarantee threshold;
 - investment in women's education, training and employment;
 - funding for various aspects of women's health.

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Other taxes

62



2021-22 Federal Budget - Heavy Vehicle Road User Charge to increase

- The Government has announced that it will increase the heavy vehicle road user charge from 25.8 cents per litre to **26.4 cents per litre** from **1 July 2021**.

63



2021-22 Federal Budget - Tax relief for small brewers and distillers

- The Government has announced that, from 1 July 2021, eligible brewers and distillers will receive full remission (up from 60 per cent) of excise up to an annual cap of \$350,000 (up from \$100,000).
- This will align the excise scheme for alcohol manufacturers with the wine equalisation tax producer rebate.

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Superannuation

65



2021-22 Federal Budget - SMSFs - relaxing residency requirements

- The Government has announced that it will ease the residency tests for self-managed superannuation funds (SMSFs) and small APRA-regulated funds (SAFs) by:
 - extending the central control and management test safe harbour from two to five years for SMSFs; and
 - removing the active member test for both fund types.
- This will allow members of SMSFs and SAFs to continue to contribute to their superannuation fund whilst temporarily overseas, ensuring parity with members of large APRA-regulated funds.
- This measure will have effect from the start of the first income year after Royal Assent to the enabling legislation, which the Government expects to have occurred prior to 1 July 2022.

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2021-22 Federal Budget - SMSF - legacy retirement product conversions

- The Government has announced that it will allow individuals a two-year period to exit a specified range of legacy retirement products, namely market linked, life-expectancy and lifetime products which were first commenced prior to 20 September 2007 from any provider, including SMSFs.
- The measure will not apply to flexi-pension products or a lifetime product in a large APRA-regulated or public sector defined benefit scheme.
- Commuted reserves will not be counted towards an individual's concessional contribution cap, therefore will not trigger excess contributions. Instead, the commuted funds and reserves will be taxed as an assessable contribution of the fund (with a 15 per cent tax rate).
- Social security and taxation treatment will not be grandfathered for any new products commenced with commuted funds.
- This measure will apply from the first financial year after Royal Assent to enabling legislation

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2021-22 Federal Budget - Removing the \$450 per month threshold for superannuation guarantee

- The Government has announced that it will remove the current \$450 per month minimum income threshold, under which employees do not have to be paid the superannuation guarantee by their employer.
- The effect of this change is that around 300,000 individuals will receive additional superannuation guarantee payments each month.
- This measure will have effect from the first income year after Royal Assent of enabling legislation

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Whiteboard

- SG shortfall for a quarter is:

Total salary or wages paid by the employer to the employee for the quarter

Salary and wages
Excludes certain amounts
i.e. where employee earns <\$450 per month

$$\times \frac{\text{'Charge percentage' for the employer for the quarter}}{100}$$

'Charge percentage':

the percentage for the income year (currently 9.5 per cent) less the percentage calculated under this formula:

$$\frac{\text{Contribution}}{\text{Ordinary time earnings}} \times 100$$

- Eg: if contribution \$95 and OTE is \$1,000, then charge percentage is reduced by 9.5 — i.e. it is reduced to nil
- If employee currently earns \$400 / month — Salary and wages \$0 therefore no shortfall

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2021-22 Federal Budget - Repealing work test for voluntary superannuation contributions

- The Government has announced that it will allow individuals aged 67 to 74 years (inclusive) to make or receive non-concessional (including under the bring-forward rule) or salary sacrifice superannuation contributions without needing to meet the **work test**.
- Proposed to commence from the start of the first income year after Royal Assent of the enabling legislation — the Government expects this to be **1 July 2022**.

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2021-22 Federal Budget - Reducing eligibility age for downsizer contributions

- The Government has announced that it will reduce the eligibility age for individuals making downsizer contributions from 65 to **60 years of age**.
- Proposed to commence from the start of the first income year after Royal Assent of the enabling legislation — the Government expects this to be **1 July 2022**.

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2021-22 Federal Budget - Maximum release under First Home Super Saver Scheme increased to \$50,000

- The Government has announced that it will increase the maximum amount of voluntary contributions that can be released from superannuation under the First Home Super Saver (FHSS) Scheme from \$30,000 to **\$50,000**.
 - It is intended that the measure will ensure the FHSS Scheme continues to help first home buyers in raising a deposit more quickly.
 - Proposed to commence from the **start of the first financial year after Royal Assent** of the enabling legislation.
- The Government will also make technical changes to the legislation underpinning the FHSS Scheme to assist applicants who make errors on their release applications — to apply retrospectively from **1 July 2018**.

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Tax offsets

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2021-22 Federal Budget - Digital Games Tax Offset

- The Government has announced that it will introduce a 30 per cent refundable **'Digital Games Tax Offset'** for eligible businesses that spend a minimum of \$500,000 on qualifying games expenditure to support the development of digital games.
- It is intended that the proposed offset will make Australia an attractive destination for digital talent and will create transferable digital capabilities that Australia could apply to a range of other sectors.
- The Government will consult with industry to develop the criteria and definition of 'qualifying games expenditure'.
- Proposed to be available for Australian resident companies, or foreign resident companies with a permanent establishment in Australia, from **1 July 2022**.

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