FEDERAL BUDGET

2022 | 2023

Insights & Analysis Report

ARCHER GOWLAND REDSHAW

INTRODUCTION

Once again, the Federal Budget came and went with not much fanfare, as most of the juicy topics and policies had somehow made it into the public arena prior to the official announcement. Perhaps it was due to the unusual circumstance of having a budget affected by daylight saving in some States.

This was an election year budget. The main priority was to deliver some targeted assistance to people affected by higher cost of living pressures. Therefore, it was disappointing not to see something in the Budget on productivity improvements or on reduction in red tape or tax reform.

This will be a Budget long forgotten before the increase in LIMO comes into effect via individual tax returns or some businesses realise their fuel tax credits have been reduced along with the cut in petrol and diesel excise duty.

Small business will be able to get a greater deduction for expenditure incurred on external training programs and digital adoption expenses.

The Budget did keep the 50% reduction in minimum pension drawdown for another 12 months as interest rates and dividend amounts are not yet back to pre-Covid levels, which delivers the cash to make the pension payments. Capital growth has certainly rebounded but having to sell assets to fund pension withdrawals is not a popular choice.

The Budget should balance the pressure of inflation and rising interest rates by not being an excessive cash splash.

Certainly, a short introduction this year as the pages that follow are a great summary of the Federal Budget.

Feel free to contact your Archer Gowland Redshaw advisor if you have any questions on the contents of our report.

Ian Walker
Executive Chairman

Smiljan Jankovic
Managing Director

Valda Glynn
Director

On Tuesday, 29th March, Federal Treasurer Josh Frydenberg hand down the **2022/23 Federal Budget**, focused on supporting Australians against the rising cost of living, and build the post-pandemic recovery for the economy as this begins to take shape.

In an Election-year Budget, Treasury highlighted the reforms at Individual and Business levels to come into effect following Royal Assent, with remit to introduce greater increases to the Low-and-Middle Income Tax Offset, temporary reduction in fuel excise duty, one-off support for cost-of-living expenses, business technology and skills financial "boosts", greater streamlined compliance reporting for businesses, and other measures to assist industry.

In this report, we breakdown the main measures released as part of the '*Australian Federal Budget – 2022/23*'.

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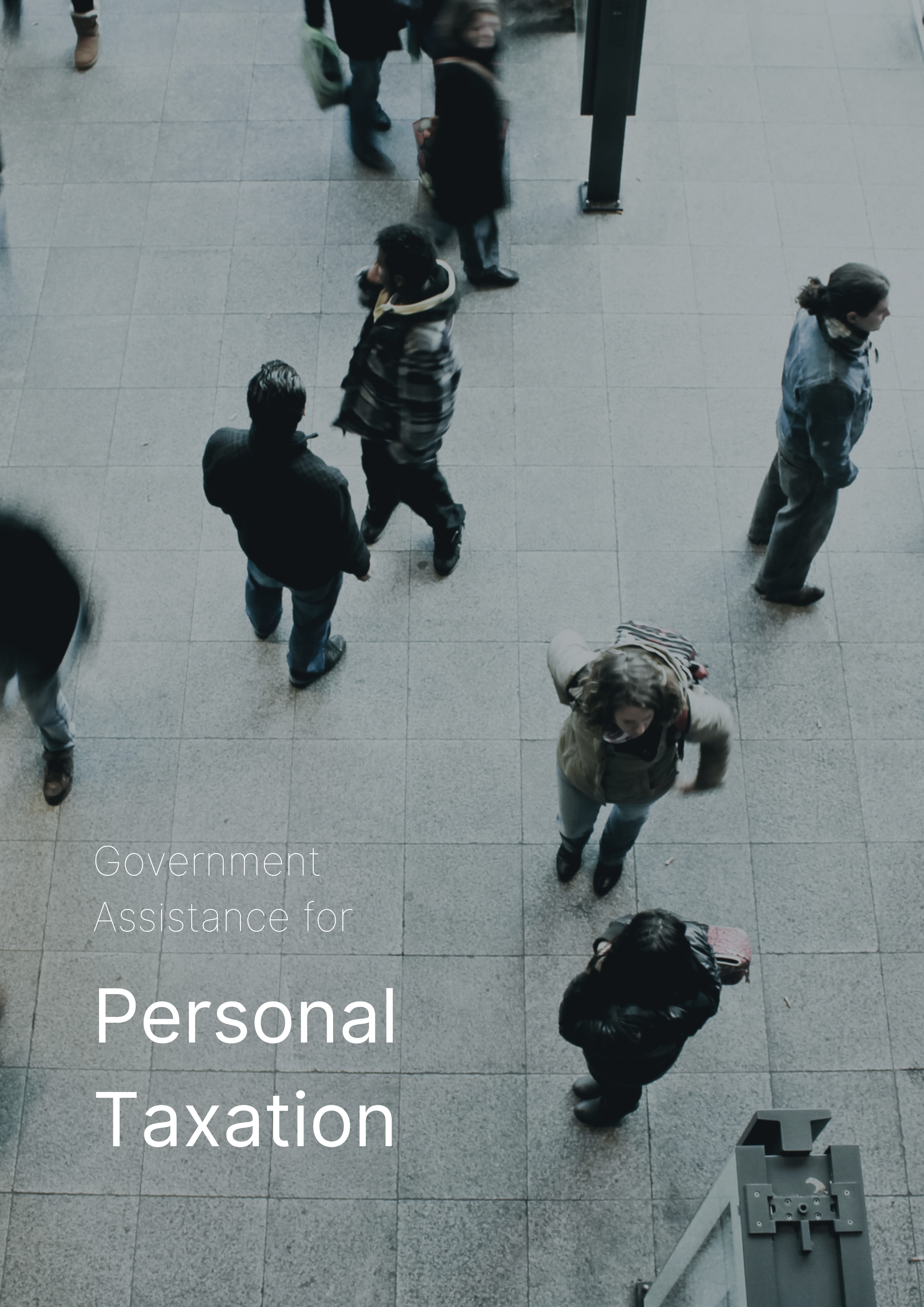
AUSTRALIAN ECONOMY OVERVIEW

The Treasurer has delivered a budget that focuses on key spending measures to drive Australia's economic recovery in a post-pandemic, natural disaster and conflicted international environment. The Government's message in the lead up to the election has centred around job creation, temporary stimulus to low-and-middle income Australians, as well as infrastructure and regional recovery spending measures.

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

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

Real Gross Domestic Product (GDP) is expected to grow over 4% in 2021-22, slowly reducing to 2 5% in 2023-24, after it climbed back to pre-pandemic levels during 2021 Further, the level of inflation is expected to moderate in the short term - from 4 25% in 2021-22 to 2 75% per cent in 2023-24.



Government Assistance for

Personal Taxation

INCREASE IN THE LOW-AND-MIDDLE INCOME TAX OFFSET (LMITO)

This year's Budget highlighted the delivery of additional Personal Income Tax relief, with the extension of the Low-and-Middle Income Tax Offset (LMITO) designed to support individual Australians and assist with cost-of-living pressures.

Under the proposal, the extension will see an increase to the LMITO by $420 for the 2021-22 Income Year. This increases the maximum LMITO benefit in 2021-22 to $1,500 for individuals and $3,000 for couples. The increased LMITO benefit for the 2021-22 Income Year will be paid from 1 July 2022, following Australian's lodging their Individual Tax Return.

All LMITO recipients will benefit from the increase, except those that do not require the full offset to reduce their tax liability to zero. All other features of the current LMITO remain unchanged and is legislated to cease after this year.

Furthermore, consistent with the current LMITO, taxpayers with incomes of $126,000 or more will not receive the additional $420 benefit.

PERSONAL TAX RATES UNCHANGED FOR 2022-23

In the Budget, the Government did not announce any personal tax rates changes. The Stage 3 tax changes commence from 1 July 2024, as previously legislated. The 2022–2023 tax rates and income thresholds for residents are unchanged from 2021–2022:

- Taxable Income up to $18,200 – nil;
- Taxable Income of $18,201 to $45,000 – 19% of excess over $18,200;
- Taxable Income of $45,001 to $120,000 – $5,092 plus 32.5% of excess over $45,000;
- Taxable Income of $120,001 to $180,000 – $29,467 plus 37% of excess over $120,000; and
- Taxable Income of more than $180,001 – $51,667 plus 45% of excess over $180,000.

** Please note, the above tax rates do not include the Medicare Levy of 2%

COST-OF-LIVING PAYMENT

The Federal Government will provide a **one-off $250 cost-of-living payment** to help eligible recipients with high cost of living pressures. The payment will be made in April 2022 to eligible recipients of the following payments and to Concession Cardholders:

- Age Pension
- Disability Support Pension
- Parenting Payment
- Carer Payment
- Carer Allowance (if not a recipient of a primary income support payment)
- JobSeeker Payment
- Eligible Veterans' Affairs payment recipients & Veteran Gold Card holders
- Youth Allowance
- Austudy & Abstudy Living Allowance
- Double Orphan Pension
- Special Benefit
- Farm Household Allowance
- Pension Concession Card holders
- Commonwealth Seniors Health Care holders

The payments are exempt from tax and 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 categories outlined above.

The payment will only be available to Australian residents.

TEMPORARY REDUCTION IN FUEL EXCISE DUTY

The Excise and Excise-Equivalent Customs (EEC) Duty rate that applies to petrol and diesel will be halved for six-months.

The measure will commence from 12:01am on 30 March 2022 and will remain in place for six-months, ending at 11:59pm on 28th September 2022. At the conclusion of the six-month period the Excise and EEC duty rates will then revert to the previous rates, including indexation that would have occurred on those rates during the six-month period.

The rate of Excise and EEC duty currently applying to petrol and diesel will fall from 44.2 cents per litre to 22.1 cents per litre.

The temporary reduction in excise duty for fuel will also have an impact for businesses, resulting in a reduction in any corresponding fuel tax credit entitlements.

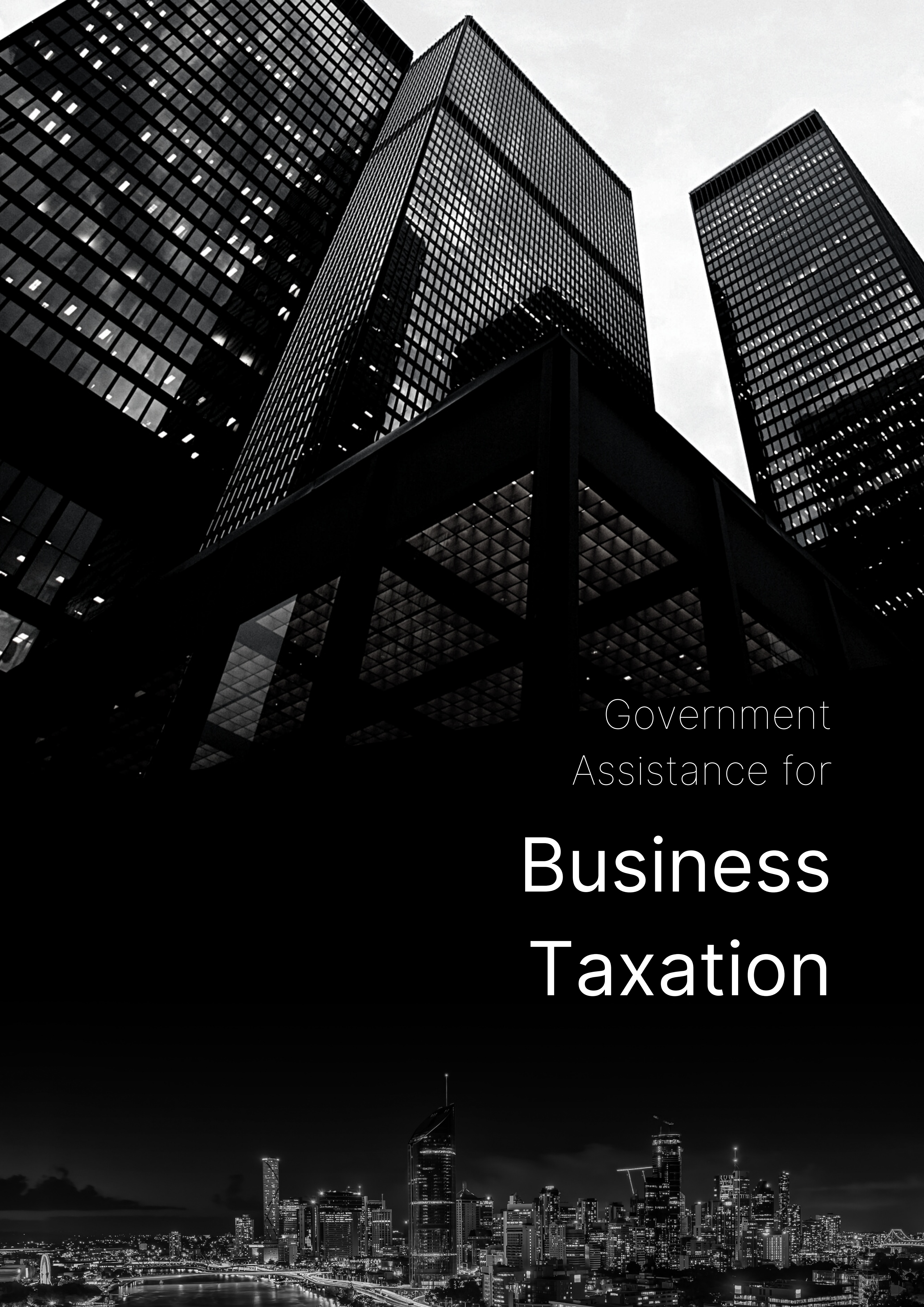
Under the Fuel Tax Credits program, businesses are entitled to claim full or partial credit for fuel used in carrying on their business - utilsiing plant & machinery equipment or heavy vehicles & light vehicles over 4.5 tonnes gross vehicle mass travelling off public roads or on private roads.

INCREASING THE MEDICARE LEVY LOW-INCOME THRESHOLD

The Medicare Levy Low-Income thresholds for Senior, Pensioners, Families, and Singles will be increased from 1 July 2021. The increase in the thresholds take account of recent movements in the Consumer Price Index so that low-income individuals continue to be exempt from paying the Medicare Levy.

Increases are outlined below:

	Old threshold	New threshold
Singles	$23,226	$23,365
Family	$39,167	$39,402
Single Seniors and Pensioners	$36,705	$36,925
Family Seniors and Pensioners	$51,094	$51,401
Dependent Child or Student	+$3,597	+$3,619



Government
Assistance for

Business Taxation

SKILLS AND TRAINING BOOST

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.

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 boost for eligible expenditure incurred by 30 June 2022 will be claimed in the FY2023 Tax Return. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2024, will be included in the income year in which the expenditure is incurred.

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

TECHNOLOGY INVESTMENT BOOST

Small businesses (with aggregated annual turnover of less than $50 million) will be able to deduct an additional 20 per cent of the cost 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 boost for eligible expenditure incurred by 30 June 2022 will be claimed in the Financial Year 2023 Tax Return. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2023 will be included in the income year in which the expenditure is incurred.

The boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2023.

EXPANDING ACCESS TO EMPLOYEE SHARE SCHEMES

The 2022/23 Federal Budget announced the Government's intention to expand access and further reduce red-tape, so that employees at all levels can directly share in the business growth they help to generate.

Where employers make larger offers in connection with Employee Share Schemes in unlisted companies, participants can invest up to:

- $30,000 per participant per year, accruable for unexercised options for up to five years, plus 70% of dividends and cash bonuses; or
- any amount, if it would allow them to immediately take advantage of a planned sale or listing of the company to sell their purchased interests at a profit.

The proposed changes to the regulatory framework will enable more ESS awards to be issued to employees at all levels, including to independent contractors. While the proposed changes are likely to be particularly beneficial for start-up organisations, they should also be of assistance to more established companies.

PATENT BOX INCOME EXTENDED

The Government will expand its patent box tax regime from only applying to the medical and biotechnology sectors to also include the agricultural sector, and low emissions technology innovations

In line with the initial May 2021 announcement and subsequent draft legislation introduced in February 2022, this regime will effectively result in a concessional tax rate of 17% for ordinary income derived from exploiting Australian-owned and developed patents that fall under these areas This represents a decrease in the corporate tax rate of 13% for large businesses and 8% for small and medium enterprises.

However, it is important to note, unlike the medical and biotechnology sectors for which the regime will apply from 1 July 2022, the expanded application to the agricultural sector, and low emissions technology innovations, will only apply from 1 July 2023 In addition, details of the expansion of the patent box regime are yet to be finalised, pending consultation with industry experts

Should you require assistance in these matters, contact our Archer Gowland Redshaw offices to speak with one of our advisers on (07) 3221 4004.

REPORTING OF TAXABLE PAYMENTS REPORTING SYSTEM DATA

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

Subject to advice from software providers about their capacity to deliver, it is anticipated that systems will be in place by 31 December 2023, with the measure to commence on 1 January 2024, for application to periods starting on or after that date.

MODERNISING THE PAYG INSTALMENT SYSTEM

The Federal Government has announced that companies can choose to have their Pay-As-You-Go (PAYG) Instalments calculated based on current financial performance, extracted from business accounting software, with some tax adjustments.

Subject to advice from software providers about the capability to deliver, it is anticipated that systems will be in place by December 2023, with the measure scheduled to commence from 1 January 2024.

The Gross Domestic Product (GDP) uplift rate that applies to PAYG instalments and GST instalments will be set at a flat 2% for the 2022/23 Income Year. The 2% uplift rate will apply to instalments for the 2022/23 Income Year that fall due after the legislation receives Royal Assent.

The 2% rate will be available to small-to-medium businesses that have an aggregate turnover of less than $50 million for PAYG and $10 million for GST instalments.

SHARING OF SINGLE TOUCH PAYROLL DATA

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

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

NON-RENEWED COVID-19 SUPPORT MEASURES

The Federal Budget announced that support measures introduced following the impacts of the COVID-19 pandemic (namely the Loss Carry Back Tax Offset & Temporary Full Expensing) will no longer be available after 30 June 2023.

Under the Loss Carry-Back Tax Offset, eligible entities with an aggregated turnover of less than $5 billion may carry back losses incurred in the 2020 to 2022 Income Years to the 2019 Income Year onward.

The following limitations are in place and will continue to apply with respect to the loss carry-back measure:

- Losses carried back cannont be more than the earlier taxed profits
- The loss carry-back amount must not generate a Franking Account deficit

Similarly, under the 'Temporary Full Expensing' support program, entities with an aggregated turnover less than $5 billion may be eligible for temporary full expensing of the cost of depreciating asset, where purchased after 7:30PM AEDT on 6 October 2020, and first used or installed ready for use by 30 June 2023.

Government
Assistance for

Superannuation & Retirement

EXTENSION OF TEMPORARY REDUCTION IN SUPERANNUATION MINIMUM DRAWDOWN RATES

The Federal Government has announced an extension of the 50% temporary reduction in Superannuation Minimum Drawdown Rates for a further year to 30 June 2023.

The Minimum Drawdown requirements determine the minimum amount of a pension that a retiree must draw from their Superannuation in order to qualify for tax concessions.

The measure was first introduced in the 2020 Financial Year in response to the COVID-19's impact on investment markets and allows pension members to withdraw less of their retirement savings, leaving a greater amount invested for the future.

SUPERANNUATION GUARANTEE

There were no changes to the legislated rates of superannuation guarantee. The rates as legislated are as follows:

Period	General superannuation guarantee %
1 July 2021 – 30 June 2022	10.0
1 July 2022 – 30 June 2023	10.5
1 July 2023 – 30 June 2024	11.0
1 July 2024 – 30 June 2025	11.5
1 July 2025 – 30 June 2026 and onwards	12.0

Government
Assistance for

Industry & Other Measures

PAID PARENTAL LEAVE

Building on the Women's Economic Security Package announced in the 2021-22 Federal Budget, the Government has announced changes to enhance the Paid Parental Leave Scheme and improve economic security for women.

This scheme rolls Dad and Partner Pay into a single Parental Leave pay scheme of up to 20 weeks, which is fully flexible and able to be shared between eligible working parents as they see fit. The Government says its paid parental leave changes, costing $346.1 million over five years, will give families the opportunity to take leave any time within two years of the birth or adoption of the child.

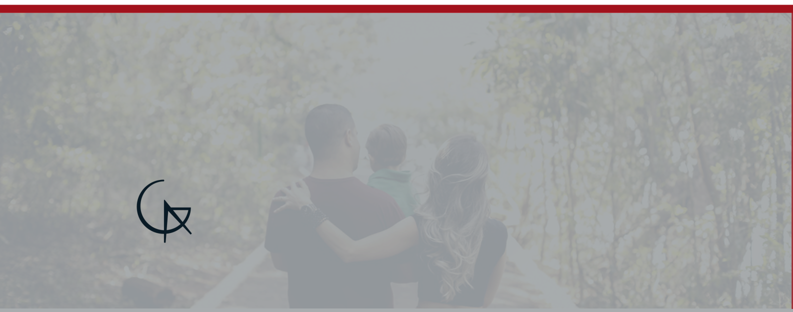
Further, the Government has promised this will not result in any existing eligible applicants being worse off. This notion is supported by an expanded eligibility household income means test of $350,000 (previously restricted to mothers earning less than $150,000 per annum) to access the taxpayer-funded leave.

ASSISTANCE TO HELP SINGLE PARENTS SAVE FOR A HOME DEPOSIT

The Government is expanding its Home Guarantee Scheme to 50,000 places per year at a cost of $8.6 million. This scheme provides an 18% guarantee on the purchase price of a home, allowing people to purchase a home with a 2% deposit. It has also expanded the Family Home Guarantee, which reserves spots in the scheme for single parents with dependent children, to 5,000 places per year (up from 2,500) through to 2024-25. To date, the Family Home Guarantee has supported 1,940 single parents into homeownership, 85% of whom have been single mothers.

This scheme is targeted at helping single parents, particularly single working mothers (being the majority of single parents) to enter or re-enter the housing market. The scheme is not limited to first-home buyers and will therefore allow single parents who are re-entering the housing market after a divorce or family breakdown to also benefit.

The Government also announced an $2 billion increase in the National Housing Finance and Investment Corporation's lending cap to $5.5 billion. The Government expects this to support around 8,000 more social and affordable dwellings for vulnerable Australians.



DIGITAL ECONOMY STRATEGY

The Government will provide $130.1 million over four years from 2022-23 to continue the implementation of the Digital Economy Strategy and drive digital transformation. The objective of the Digital Economy Strategy is to make Australia a top ten data and digital economy by 2030. Additional funding for the Digital Economy Strategy includes:

- $38.4 million over three years from 2022-23, and $12.6 million per year ongoing from 2025-26 to implement the Government's response to the Inquiry into the Future Directions for the Consumer Data Right;
- $30.2 million to extend the whole of government cyber hubs pilot, including the establishment of a fourth Cyber Hub Pilot in the ATO;
- $18.6 million over four years from 2022-23 (and $3.2 million per year ongoing) to shape global critical and emerging technology standards;
- $13.6 million over four years from 2022-23 to continue the Office of Future Transport Technology and support the digitalisation of the transport sector;
- $10.7 million in funding for 500 four-six month cadetships was allocated to the first set of employers this week. The program focuses on fields of cybersecurity, cloud computing and data analytics, and targets cohorts whose have had employment disrupted by COVID-19 or who are returning to the workforce, with a focus on supporting women;
- $6.2 million over two years from 2022-23 to position Australia as a world leader in regulating the Digital Economy and new technologies and the development of a Digital Age Policy;
- $4.8 million to continue the Digital Technology Taskforce for a further two years;
- $3.9 million over two years from 2022-23 to support women to pursue career opportunities in Australia's growing tech workforce; and
- $1.8 million in 2022-23 to the Digital Transformation Agency to further support the development of the Digital Identity system, including the governance, regulatory frameworks and funding arrangements associated with the Digital Identity legislation.

Other measures to support digital transformation

The Budget also contains several other measures to support a transition to digital ways of working for businesses:

- $127.4 million to continue and expand the Digital Services to Take Farmers to Market initiative to transform the delivery of Government agricultural export systems;
- $19.9 million over four years from 2021-22 to the Australian Bureau of Statistics (ABS) to develop a new reporting application to enable businesses to submit surveys on business indicators directly through their accounting software;
- $35.2 million over four years to support digital health programs including $32.3 million to support initiatives such as My Health Record and Health Care Identifiers Services; and
- $17.5 million over three years from 2021-22 to enhance the digital capabilities of Australia's offshore oil and gas regulator and titles administrator.

DISASTER RECOVERY PROGRAMS

Recent flooding in New South Wales and Queensland has prompted significant funding commitments directed towards disaster recovery, including:

- Jointly funding an estimated $2 billion in support measures for flood affected primary producers, small businesses, not-for-profit organisations and councils through Category D of the Disaster Funding Arrangements (DRFA);
- $3 billion in the contingency reserve for potential additional costs of the long-term response to the February and March 2022 floods in northern New South Wales and Queensland;
- The provision of a special supplement of two additional payments of the Australian Government Disaster Recovery Payment (AGDRP) to residents in catastrophically impacted areas, at an estimated cost of $245 million;
- $150 million in 2021-22 from the Emergency Response Fund to be shared between New South Wales and Queensland to fund recovery and post-disaster resilience measures in areas that experienced significant infrastructure damage;
- $31.2 million over two years from 2021-22 for increased mental health support of flood-affected residents
- Implementing a cyclone and related flood damage reinsurance pool from 1 July 2022, backed by a $10 billion Government guarantee. The pool will promote resilience by offering discounts for properties that have undertaken cyclone mitigation, while also collecting data to inform natural disaster planning.

QUEENSLAND INFRASTRUCTURE

The Brisbane to Sunshine Coast (Beerwah-Maroochydore) rail extension receives $1.6 billion in funding to support the delivery of rail upgrades to increase connectivity between the two regions.

Other projects in Queensland announced in the Federal Budget 2022/23 include:

- $5.4 billion to fund delivery of the Hells Gates Dam in North Queensland
- $1.1 billion for the Brisbane to the Gold Coast (Kuraby – Beenleigh) Faster Rail Upgrade
- $680.6 million for the South-East Queensland City Deal
- $600 million for Paradise Dam Improvement
- $400 million to upgrade the Inland Freight Route, Charters Towers to Mungindi
- $190 million for the Mount Isa to Rockhampton Corridor Upgrade
- $126.5 million for Emu Swamp Dam and Pipeline
- $114.4 million for the Tennant Creek to Townsville Corridor Upgrade
- $68.5 million for the Cooktown to Weipa Corridor Upgrade
- $36.2 million for the Wyaga Creek Flood Improvement Project
- $31.6 million for the Cairns to Northern Territory Border Corridor Upgrade
- $22.5 million for Brisbane Olympic and Paralympic Games 2032 business case development.

Other major infrastructure investments in the Federal Budget 2022/23

Several other significant funding commitments have been made across the Federal Governments portfolio, including:

- $7.1 billion provided for manufacturing and export infrastructure to support existing and emerging industries across the regional centres in the Northern Territory, North and Central Queensland, Western Australia, and New South Wales;

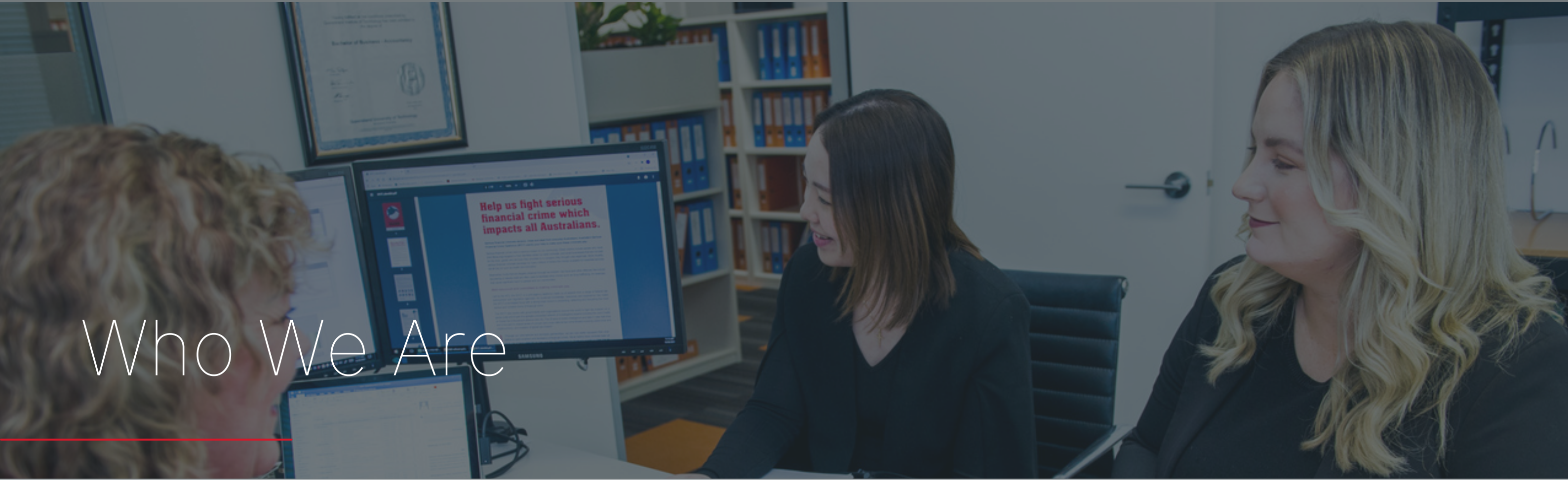
- Up to $4.3 billion committed to deliver Western Australia's first large-vessel dry berth at Henderson shipyard, to be delivered and overseen by the Government-owned Australian Naval Infrastructure;

- An additional $678 million for Outback Way upgrades in Queensland, Western Australia, and the Northern Territory;

- An additional $501.7 million for the Local Roads and Community Infrastructure Program;

- $480 million in funding committed to improving NBN fixed wireless network, providing higher speeds to up to one million premises in regional, rural, and remote Australia and peri-urban areas; and

- $328.3 million committed to further support the Modern Manufacturing Strategy and National Manufacturing Priorities to address critical supply chain vulnerabilities.



Who We Are

For more information on the *2022/23 Federal Budget* and how the introduced changes will impact you or your organisation, please contact our Archer Gowland Redshaw advisers on (07) 3002 2699 | info@agredshaw.com.au.

Archer Gowland Redshaw is a Brisbane CBD-based full-service Chartered Accounting firm – specialising in Accounting & Taxation, Business Advisory, Family Office, Management Rights, Superannuation, and Tax Consulting services.

Established, following the merge of Archer Gowland & MRG Redshaw, the firm is led by Executive Chairman, Ian Walker, and supported by Managing Director – Smiljan Jankovic & Director, Valda Glynn.

Our leadership team are supported by a team of trusted & highly-qualified business advisers and professionals with extensive industry expertise and active involvement working closely with the firm's priority sectors.

We are committed to building client-focused relationships, providing innovative & bespoke solutions, the latest advices, and are dedicated to maximising returns for clients surrounding their business and personal financial affairs.

Our firm services a wide variety of industries – including: Agribusiness, Building & Construction, Health Care, Management Rights, Professional Services, SME Business, Start-Ups, Tourism, Transport & Logistics.

Additionally, we collaborate closely with industry partners & associates across the areas of law, finance, and other professional services providers – creating a strong network of advisers to support your business requirements.

As a leading boutique firm, we have the depth and flexibility to provide general and specialist services to meet diverse client requirements.

Our expertise covers small-to-medium businesses, large corporates, trusts, individuals, and self-managed super funds.

We have actively supported clients from a broad range of industries - developing significant industry experience and expertise to provide tailored solutions to help address complex commercial & financial activities.

In choosing Archer Gowland Redshaw, you will benefit from a team of professional advisers who take the time to understand your operations and work alongside you to protect and grow your business. We keep you informed, and you will always be given clear information and choice.

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Please contact us for more information

Level 3,
345 Ann Street
Brisbane QLD 4000

Email: info@agredshaw.com.au
www.agredshaw.com.au