

BusinessPlus+ Newsletter



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Federal Budget Edition – March 2022

Federal Budget Overview

This edition of the Business Plus+ newsletter is a commentary on the Australian government's 2022/23 budget which was delivered by the Federal Treasurer, Mr Josh Frydenberg, last night with particular emphasis on items which relate to SMEs.

Please note that the Government's budget will now be debated in the House of Representatives and the Senate must approve the budget items before any of these items become law.

If you would like to discuss with us any of the matters that were included in the Government's budget, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

Budget In Review

Budget Deficit Forecasts

2022/23: \$78 billion
 2023/24: \$56.5 billion
 2024/25: \$47.1 billion
 2025/26: \$43.1 billion

Net Debt

2022/23: \$714.9 billion
 2023/24: \$772.1 billion
 2024/25: \$823.3 billion
 2025/26: \$864.7 billion



Unemployment

The government is forecasting that unemployment will fall to 3.75% during 2022/23.

Wages Growth

The annual wages growth in 2022/23 is expected to be 2.75%.

In 2023/24 wages growth is forecast to be 3.25%.

Inflation Rate

The inflation rate is expected to be 4.25% in 2022/23 and the Government expects inflation to fall to 3% in 2023/24.

Budget Summary

Wide Spread of Beneficiaries

- ✚ Temporary cut to fuel excise – reduced by 50% from 44.2 cents per litre to 22.1 cents per litre for a six-month period with retailers allowed two weeks to implement the lower excise rate.
- ✚ One off payment for cost of living adjustment of \$420 as a tax rebate from 1 July 2022 available for low and middle income earners earning up to \$126,000.
- ✚ However, the low and middle income tax offset has expired.
- ✚ One off payment for cost of living adjustment of \$250 to be paid in the next few weeks to pensioners, carers, veterans, jobseekers, eligible self-funded retirees and concession cardholders.
- ✚ \$2.4 billion has been allocated for cheaper PBS medicines over five years.

Employer/Employees

- ✚ Single parents will now be able to access the full 20 weeks of paid parental leave.
- ✚ Couples will get greater flexibility in deciding how paid leave is divided between them.
- ✚ New apprentices will be able to access a \$5,000 payment.
- ✚ Employers who employ new apprentices will be entitled to wage subsidies of up to \$15,000.
- ✚ The government will provide \$38.6 million over four years to support women undertaking apprenticeships for trades on the National Apprenticeship Priority List.
- ✚ Start-up businesses will be able to offer staff larger incentives after the employee share scheme is modified.



Skills Development/Training

- ✚ An additional 800,000 training places will be established at a cost of \$3.7 billion.
- ✚ Small businesses with annual turnovers less than \$50 million who spend more than \$100 on external training of their team members will get a 120% tax deduction. This is capped at an investment of \$100,000.
- ✚ 15,000 training places for new and existing aged care workers has been allocated funding of \$48.5 million over two years.

Building/Construction Industries

- ✚ The Home Guarantee Scheme will be more than doubled to 50,000 places.

This allows first home buyers to enter the market with a 5% deposit (and single parents with a 2% deposit) without having to pay mortgage insurance.

- ✚ The government is proposing assistance to SME contractors by instructing government departments to break up major projects into smaller components and to remove the requirement for insurance cover during the bid process. Insurance cover will not be required until a contract is awarded. This is expected to expand the commercial opportunities for SMEs and allow more suppliers to offer their services to government departments.

Natural Disaster Support

Flood hit areas in south-east Queensland and New South Wales will receive \$6 billion for disaster relief including \$2.2 billion on income support; \$665 million for business and farm repairs; and \$558.6 million for clean-up and recovery.

Digital Economy Investment by Small Business

Small businesses with turnovers under \$50 million, for every \$100 spent on digital technologies such as:

- Cloud computing;
- E invoicing;
- Cyber security;
- Web Design;

will obtain a 120% tax deduction.

This initiative is capped at an investment of \$100,000.

Manufacturing

The government will support the commencement of vaccine production in Victoria.

Environment

- ✚ The Indigenous Rangers Program will enlist 1,000 new rangers, at a cost of \$636 million, for land and sea management.

- ✚ Funding to support the recovery and conservation of koala habitats – \$53 million over five years.

Great Barrier Reef

- ✚ \$1 billion has been allocated to protect the Great Barrier Reef.

- ✚ Funding to promote the Great Barrier Reef has been allocated \$15 million.



War Veterans

Home care services for 37,000 veterans and their families and extra funding for mental health support for veterans will be provided.

Defence Industry

- ✚ The Australian Defence Force Workforce will be expanded over the next eighteen years with an extra \$38 billion being allocated.

- ✚ Funding allocated for an east coast submarine base and an upgrade to the Henderson Naval Shipyard in Western Australia and other defence projects.

- ✚ Cyber Defence – the government is providing \$9.9 billion over ten years for the employment of 1,900 people in the cyber defence sphere.

- ✚ The Department of Defence will be able to release tenders for projects of up to \$500,000 so as to encourage SMEs to bid for these contracts.

Women

- ✚ \$40.4 million has been allocated to create “pipelines” for women to progress into board and leadership positions, including as sporting coaches and managers.

- ✚ Funding to encourage women to undertake trade careers with an allocation of \$37 million.

- ✚ \$1.3 billion allocated over six years to reduce domestic and sexual violence against women.

NBN

The government is providing \$480 million to upgrade the NBN's regional and remote wireless network for access to higher speed broadband.

Mental Health/Suicide Prevention

\$547million has been allocated for targeted initiatives, including young Australians, Aboriginal and Torres Strait Islander peoples and multicultural communities as the government works towards "zero suicides".

Infrastructure

- ✚ The Government has announced \$18 billion of new infrastructure projects bringing the total infrastructure investment pipeline to \$120 billion over the next ten years.
- ✚ The Government is budgeting for the commencement of major water infrastructure projects including \$5.4 billion allocated for the "Hells Gates Dam" in North Queensland.

Agriculture

- ✚ The Government intends to expand the "Patent Box" Scheme to the agriculture sector. This will mean that companies who are working on innovations in the agriculture sector and whose technology can help lower emissions could be eligible for the expanded "Patent Box" tax concessions.

The Patent Box Scheme is designed to encourage businesses to keep their research and development activities in Australia and to keep patents registered in Australia.

The initial version of the scheme allowed for income derived from Australian medical and biotech patents that are Australian owned and have been developed in Australia are taxed at a concessional rate of 17%.

The Government plans to extend the same tax treatment to "practical, technology focused innovations" in the agricultural sector, and where the innovations can help to lower carbon emissions.

For agricultural innovations, this will apply to patents linked to agricultural and veterinary chemical products listed on the Australian Pesticides and Veterinary Medicines Authority, The Public Chemicals Registration Information System or eligible plant breeders' rights.



The Government intends for the concessional tax rate to apply to patents granted or issued after 29 March 2022 and for income years on or after 1 July 2023.

To be eligible for this concession the research and development must have taken place in Australia.

- ✚ The Government intends to create tax breaks for farmers on carbon credits for abatement and biodiversity stewardship and has allocated \$100 million over the forward estimates period.

Asset Write Offs

There was no mention in the budget as to whether the Government intends to extend the "Instant Asset Write off Scheme" which is scheduled to conclude at 30 June 2023.

Superannuation

- ✚ The Government intends to extend for one year the halving of the superannuation drawdown rate for self-funded retirees.

The drawdown rate is the minimum that retirees must withdraw from an "account based pension" each year.

- ✚ There were no new taxes on superannuation announced in the budget.

Tourism

Support for the recovery of the tourism industry has received an allocation over three years of \$146 million.

Net Migration

- ✚ The Government is expecting incoming migration to return to levels similar to those that were achieved prior to COVID-19.

This would be about 110,000 backpackers, 180,000 students and 109,000 skilled workers.

- ✚ Country caps for work and holiday visas will increase by 30% in 2022/23 increasing the overall available places by about 11,000.

National Disability Insurance Scheme

The scheme has grown \$40 billion over the forward estimates and will overtake spending on defence in 2024/25.

Disadvantaged Young People

Creation of a pre-employment program to help 5,000 people aged 15 to 24 has been allocated \$53 million over five years.

Commercialising Technology

The Government is proposing corporate tax breaks for commercialising technologies that lower emissions and has allocated \$30 million over four years.

SME Cash Flow

- ✚ The Government intends to require Government agencies to pay e-invoices within five days and other invoices within twenty days or pay interest to the SME business.
- ✚ The Government proposes to change the PAYG tax calculations which will mean that the GDP “uplift” rate will be 2% rather than the present 10%. The Government believes that this move will improve the cash flow of around 2.3 million taxpaying businesses.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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