



2021 Federal Budget

SUMMARY INDIVIDUALS AND BUSINESSES

TOP 15 BUDGET MEASURES FOR INDIVIDUALS AND BUSINESSES

1 EXTENSION TO TEMPORARY FULL EXPENSING

Temporary full expensing of eligible assets will be extended by 12 months to 30 June 2023.

Eligible businesses with aggregated turnover or income less than \$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. All other aspects of the temporary full expensing rules first introduced in the 2020-21 Budget will remain unchanged.

3 REMOVING THE \$450 PER MONTH SUPERANNUATION GUARANTEE THRESHOLD

The employer exemption from superannuation guarantee payments for individuals earning less than \$450 in salary or wages in a calendar month will be removed.

The measure will take effect from the 1 July following legislation receiving assent. The government expects to have removed this exemption category before 1 July 2022.

5 EXTENSION AND RE-ALIGNMENT OF PERSONAL TAX OFFSETS

The individual tax residency rules will be replaced by a new framework with a primary physical presence test.

Currently, an individual who is physically present in Australia for 183 days or more in an income year will not be an Australian resident if their usual place of abode is overseas and they have no intention to take up residence in Australia.

Under the new primary test, a person who is physically present in Australia for 183 days or more in any income year will be an Australian tax resident for tax purposes. Individuals who do not meet the primary test will be subject to secondary tests that consider a combination of physical presence and other measurable, objective criteria.

2 EXTENSION TO TEMPORARY LOSS CARRY BACK OFFSET

The temporary loss carry back offset will be extended by one year to apply for 2022-23 income year losses.

Eligible corporate tax entities with aggregated turnover less than \$5 billion will be able to carry back losses from the 2022-23 income year to offset previously taxed profits made in or after the 2018-19 income year. The loss that can be carried back is limited by the amount of earlier taxed profits and cannot generate a franking account deficit.

Eligible companies can elect to carry back losses under this measure for any or all of the 2019-20 to 2022-23 income years.

4 LOW AND MIDDLE INCOME TAX OFFSET REMAINS FOR 2021-22

The low and middle income tax offset (LMITO) will be extended for another year into 2021-22. The LMITO was due to be removed on 30 June 2021.

Consistent with the current income year, the low and middle income tax offset is calculated as follows:

Taxable income	Low- and middle-income tax offset
Less than \$37,000	\$255
Between \$37,000 and \$48,000	Increasing by 7.5c per \$1, capped at \$1,080
Between \$48,000 and \$90,000	Maximum \$1,080

6 \$250 EXCLUSION ON SELF-EDUCATION DEDUCTIONS TO BE REMOVED

The current limitation for individuals claiming self-education expenses, where the first \$250 of the deduction is denied, will be removed. The removal of the \$250 exclusion for prescribed courses of education will make it easier for individuals to work out their allowable deductions in the years they incur these expenses.

TOP 15 BUDGET MEASURES FOR INDIVIDUALS AND BUSINESSES

7 WORK TEST FOR SUPERANNUATION CONTRIBUTIONS TO BE ABOLISHED

From 1 July 2022, individuals aged 67 to 74 will no longer be required to meet the work test when making or receiving non-concessional superannuation contributions or salary sacrificed contributions.

These individuals will also be able to access the non-concessional bring-forward arrangement, subject to meeting the relevant eligibility criteria.

The existing \$1.6 million cap on lifetime superannuation contributions will continue to apply (increasing to \$1.7 million from 1 July 2021). The annual concessional and non-concessional caps will also continue to apply.

Access to concessional personal deductible contributions for individuals aged 67 to 74 will still be subject to meeting the work test.

9 APPRENTICESHIP WAGE SUBSIDY EXPANDED

The Boosting Apprenticeship Commencements wage subsidy will be expanded to support businesses and Group Training Organisations that take on new apprentices and trainees.

This measure will uncap the number of eligible places (currently capped at 100,000 places). The duration of the 50% wage subsidy will be increased to 12 months from the date an apprentice or trainee commences with their employer. The subsidy will now be available from 5 October 2020 to 31 March 2022 and businesses of any size can claim the wage subsidy for new apprentices or trainees who commence during this period. Eligible businesses will be reimbursed up to 50% of an apprentice or trainee's wages of up to \$7,000 per quarter for 12 months.

11 CONCESSIONAL TAXATION OF CORPORATE INCOME DERIVED FROM CERTAIN PATENTS

Corporate income derived from Australian medical and biotechnology patents in income years starting on or after 1 July 2022 will be taxed at a concessional effective tax rate of 17%. The mechanism by which this "patent box" concession will be delivered is subject to consultation with industry. The government intends to extend consultation in relation to the patent box with a view to determining its appropriateness for supporting the clean energy sector.

8 ELIGIBLE AGE FOR DOWNSIZER CONTRIBUTIONS LOWERED TO 60 YEARS

From 1 July 2022, the eligibility age to make downsizer contributions into superannuation will be reduced from 65 to 60 years of age.

The downsizer contribution will allow individuals to make a one-off, post-tax contribution to their superannuation of up to \$300,000 per person (or \$600,000 per couple) from the proceeds of selling their home, provided that the home has been held for at least 10 years. Both members of a couple can contribute in respect of the same home, and contributions do not count towards non-concessional contribution caps.

Individuals with balances over the transfer balance cap (\$1.7 million from 1 July 2021) are also able to make a downsizer contribution, however the downsizer amount will count towards that cap when savings are converted to the retirement phase.

10 SELF-ASSESSMENT OF INTANGIBLE DEPRECIATING ASSETS TO BE ALLOWED

Taxpayers who purchase patents, registered designs, copyrights or in-house software will be given the opportunity to self-assess their effective life for decline in value. The measure comes into effect for specified intangible assets acquired after 1 July 2023.

These assets are currently set to statutory effective life calculations. Where the taxpayer cannot reasonably estimate an effective useful life, or otherwise chooses not to self-assess, they may continue to use the statutory depreciation rates.

12 TAX-DEFERRED EMPLOYEE SHARE SCHEMES — CEASING EMPLOYMENT NO LONGER A TAXING POINT

The cessation of employment taxing point will be removed for tax-deferred employee share schemes (ESS) that are available for all companies. The change will apply to ESS interests issued from the first income year after assent of the amending legislation.

Under existing rules for a tax-deferred ESS, where certain criteria are met employees may defer tax until a later tax year (known as the deferred taxing point). By removing the cessation of employment taxing point, the deferred taxing point will be the earliest of:

- in the case of shares, when there is no risk of forfeiture and no restrictions on disposal
- in the case of options, when the employee exercises the option and there is no risk of forfeiting the resulting share and no restriction on disposal, and
- the maximum period of deferral of 15 years.

TOP 15 BUDGET MEASURES FOR INDIVIDUALS AND BUSINESSES

13 EXTENDED POWERS FOR AAT TO PAUSE OR MODIFY ATO DEBT RECOVERY

Small businesses will be able to apply to the AAT to pause or modify ATO debt recovery actions for debts being disputed in the AAT.

The Small Business Taxation Division of the Administrative Appeals Tribunal (AAT) will be allowed to pause or modify any ATO debt recovery actions, such as garnishee notices and the recovery of general interest charges or related penalties, until the underlying dispute is resolved by the AAT. The AAT will be required to ensure applications are in relation to genuine disputes and to consider the potential effect of an application on the integrity of the tax system.

The measure will apply to small business entities (including individuals carrying on a business) with an aggregated turnover of less than \$10 million per year that have filed an application in relation to tax matters before the Small Business Taxation Division of the AAT.

14 HOME OWNERSHIP FUNDING PACKAGE

The government will provide \$782.1 million over 4 years from 2021-22 to increase home ownership, support jobs in the residential construction sector and enhance housing data. Funding in this package includes:

- \$774.8 million over 2 years from 2021-22 for the HomeBuilder program to extend the construction commencement requirement from 6 months to 18 months for all existing applicants
- establishing the Family Home Guarantee with 10,000 places from 2021-22 to support single parents with dependants to enter, or re-enter, the housing market with a deposit of 2%
- extending the first home loan deposit scheme to provide an additional 10,000 new home guarantees in 2021-22 to allow eligible first home buyers to build a new home or purchase a newly constructed home with a deposit of 5%

15 AGED CARE AND SOCIAL SECURITY

A total of \$17.7 billion in funding will be provided for aged care initiatives in response to the Royal Commission on Aged Care Quality and Safety.

The childcare subsidy will be increased up to a maximum of 95% from 1 July 2022.

The base rate of several unemployment benefits will be increased by \$50 per fortnight from 1 April 2021. Other eligibility conditions and waiting periods have also been relaxed.

ABOUT US

Since 1953, we've been the firm that's helped countless clients build and preserve their personal and business wealth. With our innovative thinking and traditional values, we've helped many individuals and businesses reach their full potential and achieve their goals.

Newcastle

The Bolton Building
25 Bolton Street
Newcastle NSW 2300
PO Box 694

Telephone (02) 4928 8500
Fax (02) 4926 1971
Email cnmail@cutcher.com.au

Sydney

Suite 1102, Level 11
20 Berry Street
North Sydney NSW 2059
PO Box 281

Telephone (02) 9923 1817
Email cnmail@cutcher.com.au

Innovative thinking.
Traditional values.

 **Cutcher & Neale**
ACCOUNTING AND FINANCIAL SERVICES