

VACC Member Overview – Federal Budget 2022/23

Dear Member

Last night, the Treasurer Josh Frydenberg handed down the Federal Budget for 2022/23. The Budget contains many key items of interest for VACC members and the broader business community. A summary of selected key measures is provided below.

Underlying Budget Position

The strength of the economy, and in particular the labour market, combined with higher near-term commodity prices, has driven large upward revisions to tax receipts and reductions in unemployment benefit payments. This has flowed through to a significantly improved fiscal outlook.

- A \$79.8 billion deficit is revealed for 2021/22, and \$78 billion for 2022/23 (3.4 per cent of GDP). The deficit is projected to fall to \$43.1 billion or 1.6 per cent of GDP by 2025/26.
- Australia's net debt is projected to be \$714.9 billion in 2022/23 (31.1 per cent of GDP), rising to \$864.7 billion in 2025/26 (33.1 per cent of GDP).
- Gross debt is projected to rise to \$977 billion, or 42.5 per cent of GDP, in 2022-23 and \$1.169 trillion, or 44.7 per cent of GDP, in 2025-26.

Business taxation

- Small businesses (with aggregated annual turnover less than \$50 million) will be able to deduct an additional 20 per cent of the cost of business expenses and depreciating assets that support digital uptake (e.g. cloud computing, invoicing, cyber security and web design) up to \$100,000 of expenditure per year. This will apply from 29 March 2022 until 30 June 2023.
- Small businesses will also have access to a bonus 20 per cent deduction for the cost of external training courses for upskilling their employees. This will apply from 29 March 2022 until 30 June 2024. The training courses must be provided to employees in Australia or online and delivered by entities registered in Australia.
- From 1 January 2024, companies will be allowed to choose to have their PAYG instalments calculated based on current financial performance, extracted from business accounting software (with some tax adjustments).
- From 1 January 2024, businesses will be provided with the option to report Taxable Payments Reporting System data on the same lodgment cycle as their activity statements, via accounting software.

- All trust tax return filers will be given the option to lodge income tax returns electronically, increasing pre-filing and automating ATO assurance processes. The measure is proposed to apply from 1 July 2024 (subject to advice from software providers).
- The Government will now extend the patent box income measures to provide concessional tax treatment for corporate taxpayers who commercialise their patented technologies which have the potential to lower emissions.
- The costs of taking a COVID-19 test to attend a place of work are tax deductible for individuals from 1 July 2021. Also, the Government will also ensure FBT will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose.

Fuel Excise

- A 50 per cent cut in fuel excise (22.1 cents) for 6 months starting from 12.00am Wednesday 30 March until 28 September 2022. The ACCC will monitor compliance by fuel retailers

Other Business Support

- \$5.6 million towards establishing a dedicated small business unit in the Fair Work Commission, helping small business employers navigate their workplace obligations
- \$4.6 million to extend Beyond Blue's New Access for Small Business Owners program and \$2.1 million for Financial Counselling Australia's Small Business Debt Helpline

Superannuation measures

- The temporary 50 per cent reduction in minimum annual payment amounts for superannuation pensions and annuities will be extended by a further year to the 2022-23 income year.
- The Budget did not contain any change to the legislated Super Guarantee rate rise from 10 per cent to 10.5 per cent for 2022-23.

Apprenticeships

- The Boosting Apprenticeship Commencement (BAC) Scheme will be extended till 30 June 2022.
- The new Australian Apprenticeships Incentive Scheme (AAIS) will replace the BAC Scheme. It will offer lower wage subsidies — 10 per cent for first and second-year apprentices and 5 per cent for third years — and it's restricted to a list of "priority" occupations that are yet to be determined.
- For apprentices starting training if they're in a priority occupation, they'll get \$5,000 in direct cash payments over their first two years.
- From July 2024, the AAIS wage subsidies will be scrapped and replaced with a \$4,000 hiring incentive for employers and \$3,000 for apprentices, but only if they're on the priority list.

Changes to Paid Parental Leave

- Commencing from 1 March 2023, the federal government will merge the two-week Dad and Partner Pay scheme with the current 18 weeks of Paid Parental Leave to create a 20-week PPL scheme.
- A single parent will be eligible for the full 20 weeks and two-parent households can split the PPL, provided they take it within two years of their child's birth or adoption.

- The household collective income threshold has also been raised for eligible parents to \$350,000.

Defence

- A \$270 billion defence plan over 10 years to strengthen our defence capabilities, and \$9.9 billion towards strengthening cybersecurity.

Infrastructure

- \$17.9 billion expenditure over 10 years on new and existing infrastructure projects nationally, including \$3.1bn for the Melbourne Intermodal Terminal Package to increase efficiency of the freight network.

Environment

- \$83.1 million on Australia's waste and recycling capabilities to help reach our 2030 waste targets, including \$60.4 million to develop new plastics recycling technology and advanced recycling solutions. A further \$18.2 million will go towards improving awareness of correct recycling techniques and develop a new 'ReMade in Australia' scheme to certify goods that are recycled and remade here in Australia.

VACC Perspective

VACC congratulates the Federal Government on the 2022/23 Budget and welcomes many of the initiatives that will support businesses and the broader community in what are uncertain times. VACC will continue to lobby the Government to keep the issues and challenges faced by the automotive industry as a priority in future policy and decisions.

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