

2021 Budget ...the rebuild continues

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2021 Budget

Overview

- 2021/22 deficit of \$106 billion
- Peak net debt \$920 billion by 2025 (41% of GDP)
- Full expensing, loss carry-back
- 17% tax rate patent income
- Tax relief for brewers & distillers
- Super Guarantee changes
- Superannuation contributions

2021 Budget

Initial thoughts

- Better-than-expected results spent, not banked
 - Support recovery
 - Social programs
- Last Budget, Treasurer said no major structural reforms until unemployment down to 6%
 - Currently 5.6%
- Leaving options open for an early election?

Personal tax

\$1,080 Low-and-Middle-Income tax offset

- Was to cease 1 July 2021
 - With no other changes, effectively a tax increase
- Will stay until 30 June 2022

Taxable Income	LMITO
\$0 - \$37,000	\$255
\$37,001 - \$48,000	\$255 plus 7.5% of income over \$37,000. The maximum offset being \$1,080.
\$48,001 - \$90,000	\$1,080
\$90,001 - \$126,000	\$1,080 reduced by 3% of income over \$90,000.
\$126,001+	nil

Personal tax

Medicare Levy thresholds

- 2% of taxable income
 - Income tax by another name
- Updated exemption thresholds

	Medicare Levy Low Income Thresholds	
Low Income Taxpayer	2019/20	2020/21
Singles	\$22,801	\$23,226
Families *	\$38,474	\$39,167
Single Seniors and Pensioners	\$36,056	\$36,705
Families for Seniors and Pensioners	\$50,191	\$51,094

Personal tax

Self-education expenses

- First \$250 not deductible
- Full deduction will be available
 - Likely from 1 July 2022

Personal tax

Tax residency

- Four tests
- Case law history
- Legal concepts
- Replace with “bright line” primary test
 - Present in Australia 183+ days
 - One day makes all the difference
- Secondary tests

Business taxation

Temporary full expensing of depreciating assets

- Now slightly less temporary
- Group-wide turnover <\$5 billion
- Was due to end 30 June 2022

- Extended to 30 June 2023

Business taxation

Temporary loss carry-back

- Companies
- Carry back tax losses
- Losses in 2019/20 to 2021/22
 - Carry back to 2018/19
 - Refund of tax paid
 - Limits
- Extended to 2022/23

Business taxation

Small brewers & distillers

- 1 July 2021
- Annual excise refund
 - 100%, up from 60%
 - \$350,000 cap, up from \$100,000
- Additional relief of up to \$250,000
- Greater number who pay no excise
 - Mainly craft and independent brewers/distillers

Business taxation

Investing in Australia – ATO assistance

- Early engagement service
- Binding advice
- Integrate with FIRB approval process
- Presumably through tax agent as well
- Nexia's comprehensive guide on Australia's business and regulatory environment:
 - [Doing Business in Australia](#)

Employee share schemes

Taxing point removed

- Generally three taxing points:
 - No real risk of forfeiture
 - Cease employment
 - 15 years
- Employment cessation to be removed
- Reduced barrier to changing jobs

Digital future

- \$1.2 billion
- Build workforce digital skills
- Artificial intelligence capabilities
- Overhaul myGov
- 30% Digital Games Tax Offset
- Drive business uptake of e-Invoicing
- Enhance govt cybersecurity

Patent box

17% tax rate

- Medical and biotech innovations
- Companies
 - 25% (from 1 July 2021) or 30%
 - 8%-13% tax saving
 - Reinvest 83c in dollar
- Eligible patent applications after 11 May 2021
- In addition to any R&D concession
- Extract profits, pay balance of tax to shareholder personal rate

Superannuation

Downsizer contributions

- Age 65+
 - Sell home, held 10+ years
 - \$300,000 (\$600,000 couple)
 - Do not count towards contribution cap
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- From 1 July 2022, age 60+
 - Empty-nesters

Superannuation

Work test repealed

- Age 67–74
 - Voluntary contributions
 - Work 40 hours in any 30-day period for year
- From 1 July 2022, work test repealed
- Existing contribution caps will apply (\$25k/\$100k)
- Good for contributions from lump-sum sources. Eg
 - Inheritance
 - Asset sale

Superannuation

Employer super guarantee

- Employee earns <\$450 in a month
 - Employer has no super guarantee obligation
- Compliance cost saving measure
 - Less of an issue with modern payroll technology
- Abolish threshold, likely from 1 July 2022
- Income sacrifice, not additional remuneration cost
 - Awards, negotiated remuneration
- 10% from 1 July 2021 (up from 9.5%)

Not-for-profits

Income tax exemption

- Non-charities. Eg:
 - Associations
 - Unions
 - Clubs
- Initial self-assess
- Annual renewal

2021 Budget

Wrap up

- Positive initiatives for business, funding retirement
- Substantial social spend
- Debt funding recurring expenditure
- Stage 3 personal tax cuts from 1 July 2024
 - L-A-W law
- Leaves open for early election
- Recovery well and truly underway
- Undermined by lack of structural reform

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