

BusinessPlus+ Newsletter

INDEX

Federal Budget Overview - "Australia Is Coming Back!"	1
Budget summary	1
Instant Asset Write Off	2
Loss Carry Back	2
Reduction In Taxation Rates Extended	2
Expansion Of Apprenticeship Program	2
Job Trainer Program	2
Women Wanting To Start In Non-Traditional Trades	2
STEM (Science, Technology, Engineering and Mathematics)	2
Retirement	2
Superannuation Guarantee Levy	2
Childcare	2
Encouragement To Start A Business	2
Home Building Industry	2
Tourism And Arts	3
Technology	3
Brewers And Distillers	3
Infrastructure	3
North Australia Reinsurance Pool	3
Patent Box	3
Employee Share Scheme (ESS)	3
Digitisation Package	3
Debt Recovery Action	3
Export Diversification Support	3
Tax Residency Rules	4
Early Engagement Service	4
Aged Care	4
Health	4
Welfare	4
Women	4

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Federal Budget Edition – May 2021

Federal Budget Overview - "Australia Is Coming Back!"

This edition of the Business Plus+ newsletter is a commentary on the Australian government's 2021/22 budget which was delivered by the Federal Treasurer, Mr Josh Frydenberg, last night with particular emphasis on items which relate to or might affect 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 summary

More than \$29 billion in temporary business and personal income tax cuts, a \$33 billion boost for care services and \$4 billion more for training programs, are at the core of the government's budget which aims to create 250,000 jobs by the end of 2022 and drive the unemployment rate below 5%.

The government is forecasting a \$161 billion deficit for 2020/21.

\$106.6 billion in 2021/22, \$99.3 billion in 2022/23, \$79.3 billion in 2023/24 and \$57 billion in 2024/25.

Gross debt is expected to be \$829 billion this year, with gross debt projected to reach \$1.058 trillion by 2022/23.

The major announcements affecting small businesses and medium-sized enterprises were:

Instant Asset Write Off

The Instant Asset Write Off, which allows businesses with turnovers under \$5 billion per annum to be able to write off the full value of any eligible asset that they purchased after 6th October 2020, has been extended until 30th June 2023.

Loss Carry Back

The Loss Carry Back provision that was introduced last year for losses which are incurred by companies, has been extended to 30th June 2023, meaning that the losses can be offset against prior profits made in, or after, the 2018/19 financial year.

Reduction In Taxation Rates Extended

Low and middle income taxpayers will receive, for another year, the Low and Middle Income Tax Offset (LMITO), which is an end of year rebate worth up to \$1,080 for an individual and \$2,160 for eligible couples.

A person earning \$40,000 will receive \$480 back in their tax return.

People on \$48,000-\$90,000 will continue to get the full LMITO rebate of \$1,080. If a taxpayer earns more than \$90,000, but under \$126,000, they will get some of the offset.

Expansion Of Apprenticeship Program

The government will subsidise the wages of apprentices with the intention being to create an additional 100,000 apprenticeships.

Job Trainer Program

The Job Trainer Program, which subsidises TAFE and other vocational courses, will be extended for 12 months. The aim is to improve the skills of 163,000 people, including 33,800 places, to enable existing and new aged care workers to improve their skills.

Women Wanting To Start In Non-Traditional Trades

The government is supplying funding for 5,000 extra training places for women wanting to start in non-traditional trades.

STEM (Science, Technology, Engineering and Mathematics)

There is a boost to STEM scholarships for women costing \$42.4 million.

Retirement

The ability to put up to \$300,000 into superannuation has been extended to people aged 60-65 who downsize their house that they have lived in for at least 10 years. (Currently this is only available to people aged over 65).

The Self-Funded Retirees Work Test will be abolished for superannuation contributions made by people aged 67 to 74 years.

Superannuation Guarantee Levy

The Superannuation Guarantee Levy will be altered by removing the \$450 per month minimum wages payment before superannuation was payable. The government expects these new rules to apply from 1st July 2022.

Childcare

The government has announced significant changes to childcare subsidies and preschool funding.

Encouragement To Start A Business

The government is supplying a \$15.5 million boost for programs which encourage people to start their own businesses.

Home Building Industry

The Home Building Industry will benefit by the announcement that 10,000 more first home buyers will be able to build a property with a 5% deposit and that 10,000 single parents with one dependent with income of less than \$125,000 per annum can purchase a home with a 2% deposit.

The amount that can be released from superannuation for a first home rises to \$50,000.

Existing applicants for the now closed “Homebuilders Scheme” have 18 months to start work, instead of 6 months.

The public housing contribution to be paid to State governments by the Federal government will amount to \$124.7 million.

Tourism And Arts

The government is budgeting for \$2.1 billion in targeted support for industries such as aviation, the arts and international education.

Half price airfares for more than 800,000 trips around the country.

Financial support available for more than 200 arts productions.

Foreign students will be able to work in tourism and hospitality businesses for more than 40 hours per fortnight, if they wish.

Technology

The government will fund a National Artificial Intelligence Centre and a network of centres to encourage businesses to use the new technology.

The government has allocated significant funding for businesses to increase cyber security skills.

234 scholarships for graduates in technology will be provided over 6 years.

Brewers And Distillers

Tax relief will be available for Brewers and Distillers through the introduction of a full excise refund with a cap of \$350,000 up from \$100,000 from 1st July 2021 at a cost of \$225 million.

Infrastructure

Many SME businesses will be able to earn income from a significant investment in new roads and rail funding all over Australia.

North Australia Reinsurance Pool

Many businesses and landlords situated in Northern Australia will benefit from the \$10 billion reinsurance pool for Northern Australia which will tackle the insurance crisis in cyclone prone areas.

Patent Box

The government will introduce legislation for the “Patent Box” which will relate to Australian developed products which have been patented relating to medical products and biotechnology. Companies which have registered patents for the Australian developed technology will be eligible for a reduced taxation rate of 17% on the profits generated from these patents.

Employee Share Scheme (ESS)

The employee share scheme legislation will be amended to remove the “Cessation of Employment” as a taxing point for the ESS legislation in an attempt to make the scheme more attractive to companies and potential employees.

Digitisation Package

The government will incentivise video game development by the introduction of a Digital Games Tax Offset of 30%.

Debt Recovery Action

The government is proposing that from 1st July 2023 that a taxpayer will be able to apply to the AAT (Administrative Appeals Tribunal) for Australian Taxation Office debt recovery action to be paused.

Export Diversification Support

A new office will work to remove key supply chain vulnerabilities initially in medicines, protective equipment and agricultural chemicals.

Austrade and the Department of Foreign Affairs will assist in the identification of diversified markets for Australian exporters.

Tax Residency Rules

The definition of an Australian tax resident will be amended so as to provide that, if this person spends 183 days in Australia in a financial year, they will be regarded as a tax resident.

Early Engagement Service

In an attempt to attract big investors to Australia the Australian Taxation Office will create a new early engagement service that the government hopes will provide upfront confidence to investors because they will be advised of the operation of Australian Taxation Laws and how they will apply to them.

Other significant announcements in the budget include:

Aged Care

80,000 new care packages over the next 2 years for senior Australians who wish to remain at home.

Substantial investment in funding for the aged care industry and training of the aged care workforce and improvements for access to aged care in regional, rural and remote Australia.

Health

Extra funding for the roll out of coronavirus vaccines over the next 2 years.

Significant funding for mental health and suicide prevention.

Greater access for psychiatrists and psychologists.

Special funding will be made to boost healthcare in regional and remote Australia by providing specific subsidies for country doctors at a cost of \$80 million over 5 years.

NDIS (National Disability Insurance Scheme) to receive a substantial funding increase.

Welfare

Additional support programs for helping people looking for work.

Funding to ensure job seekers are supported into employment.

Women

Substantial funds committed to boost front-line services and initiatives under the "Australia's National Plan to Reduce Violence Against Women and their Children".

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An Important Message

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