

# David J Gibney Accountants

FOCUSED FINANCIAL GUIDANCE



## Newsletter – Budget April 2022

With the election looming on 21 May 2022, it may be cynical, but the days of throwing money in the air are not over with the Federal Budget documents released on Tuesday 29 March 2022. It appears to have been designed not to offend any voter in the electorate. Despite a reported unemployment figure of around 4%, hip pocket relief for voters both at the bowser and in supermarkets seem to be priority, but we expect further policy announcements in the coming weeks from both sides which will further supplement this Budget. International unrest between Ukraine and Russia, plus China making increased presence in the Pacific, have raised concerns about national security. This combined with a horrific year of La Nina in several states means immediate support for Aged Care and ongoing problems with Infrastructure have taken a backburner.

### The Good news

#### Temporary reduction in Fuel excise

The fuel excise will be cut in half for six months from 44.2 cents down to 22.1 cents resulting in decreased petrol prices. Even if you do not have a thirsty car, this will be good news as it is expected to save families around \$30 per week.

#### Individuals

There are no changes to the personal tax rates for 2022-2023. However, there is a one-off \$420 cost of living tax offset for low and middle income earners and a tax exempt \$250 payment for pensioners and welfare recipients. Individuals earning up to \$126,000 will be eligible for at least part of the offset with those earning between \$48,000 to \$90,000 receiving the full benefit when lodging their tax return. The \$250 will be paid automatically to all eligible individuals sometime during April.

#### Small Business

While being capped at \$100,000, every hundred dollars spent in the areas of digital technologies (cloud computing, e-invoicing, cyber security and web design) attracts \$120 tax deduction until 30 June 2023. Now is the time to upgrade that aspect of your business! Those qualifying will also have access to a bonus 20% deduction for the cost of external training courses delivered to their employees. With a small business tax rate of 25% you are saving an extra \$5 in tax with each \$100 spent. For example: if you have \$10,000 income for the year and spend \$1,000 upgrading your computer backups and security software instead of having the usual taxable income of \$9,000 your taxable income would instead be \$8,800.

#### First-Single Parent home buyers

There has been a doubling of available places in the Home Guarantee Scheme which allows someone with a deposit as low as 2% (single parent) and 5% (first home buyers) to buy a home. The increase will be to 50,000 spaces per year subject to passage of enabling legislation. The scheme only applies to houses with a cost of up to \$800,000 in Melbourne and regional centres and \$650,000 in regional Victoria which significantly limits the places you can buy in the current market.

#### Apprentices

The first stage of the new Australian Apprenticeships Incentive System \$5,000 payments will be made to new apprentices over a 2 year period in high demand industries. Employers will receive subsidies of up to \$15,000 and replaces the current 50% wage subsidy scheme. Eligible fields can be found on the Australian Apprenticeships Priority List and includes construction, health services, manufacturing, and more.

#### Carbon Credit and Biodiversity certificate income

Proceeds from the sale of the above income generated from on-farm activities will be treated as primary production income for the purposes of the farm management deposits scheme and the tax averaging provisions from 1 Jul 2022. This could be an opportunity for small farmers trying to access small business CGT (Capital Gains Tax) concessions. If they qualify, it will save considerable tax with the massive rise in rural land values since Covid.

#### Cyber security

Investment in offensive and defensive cyber capabilities with 1,900 jobs for data analysts, computer programmers, and software engineers to boost our capacity to prevent and respond to cyber threats.

## Superannuation

The 50% reduction in minimum pension payments is extended for a further 12 months to June 2023.

## Superannuation Guarantee

Current legislation will increase this amount from 10 to 10.5% starting 1 July 2022 with a further increase to 11% from 1 July 2023 until it reaches 12% from 1 July 2025. High income earners with multiple employers can opt-out of the SG regime in respect of an employer to avoid unintentionally breaching the concessional contributions cap of \$27,500 for the 2022 and 2023 financial years.

## ***The Bad news***

### Audit

As part of the budget allocation, funds will be spread over three years until 2023 for the Auditing and Assurance Standards Board to continue to improve audit quality in Australia. Please remember that if you received Job Seeker or Job Keeper, these amounts are taxable and will be a focus for them in future.

While Covid tests are no longer free, expenses will now be tax deductible.

### Renewable Energy

“Technology, not taxes, will get us there” is the mantra because there is no new direct funding for renewable energy and hydrogen support is not significant.

### Brewers & Beer drinkers

Brewers Association requested a cut in the excise on draught beer this year which was ignored. After the increased consumption of alcohol during covid, perhaps they were trying to reduce this.

## ***What is the windfall gains tax?***

From 1 July 2023, a windfall gains tax (WGT) will apply to land that is subject to a government rezoning resulting in a value uplift to the land of more than \$100,000 in Victoria. A rezoning is an amendment of a planning scheme that causes land to be in a different zone from the zone that it was in immediately before the amendment. The taxable value uplift is the difference in the capital improved value (CIV) of the land before and after the rezoning takes effect. You find the CIV on your annual rates notices. The tax is 62.5% for an uplift of between \$100,000 - \$500,000 and 50% on uplifts greater than \$500,000. There is an exemption for residential land of up to two hectares. Payment of the tax is due when the land is rezoned but can be deferred until the property is sold or 30 years after the rezoning, depending on which occurs first. Deferral will incur interest at the 10 year Australian government bond yield rate.

If you own land that may be subject to rezoning, try to make sure this occurs before July 2023.

As an example: John and Jane live on 50 acres in an area with a zoning which restricts the building of dwellings to properties of 50 acres or larger. The capital improved value (CIV) of the property is \$1.5 million. The council then rezones this area to allow properties to be subdivided into 1 acre lots and dwellings built in October 2023. After this occurs the CIV of the property increases to \$8 million. Their home and surrounding 2 hectares will be exempt from the tax. Let us say that accounts for \$500,000 of the CIV before the rezoning and \$1 million after. The uplift in taxable CIV will be \$7 million - \$1 million equalling \$6 million. As this is greater than \$500,000, the gain will be taxed at 50%. John and Jane will owe \$3 million in windfall tax. This will be added to the cost base of the property for CGT purposes.

## ***Director Identification Number (DIN) deadline (For Directors of Australian Companies)***

Early 2021 ASIC introduced the requirement for all new and existing company directors to hold a director identification number (Director ID) to avoid fraudulent activity. **From November 2022, existing Directors will need to verify their identity as part of the new obligations.** These free DIN numbers are unique to each person who has verified their identity with the [Australian Business Registry Services](#) (ABRS) and the requirement includes alternate directors acting in that capacity. Like your Tax File Number, this detail follows you when you change companies, stop being a director, change your name and move interstate or overseas. If you do not have one already, the process involves setting up a myGovID and along with providing your tax File number, residential address, and two documents to verify your identity. Please let us know if you are having trouble and we can help set this up for you. **If you fail to apply for a director ID**

by the relevant date you can face civil penalties of up to \$1,100,000 (Not a typo, it is 5,000 penalty units) and criminal penalties of up to \$13,200.

## ***What is the difference between a General (Non-Enduring) Power of Attorney and an Enduring Power of Attorney?***

### When you are alive

There are several different types of power of attorney and you should be careful to make sure you select the correct one for your needs. You can appoint someone to act for you (an attorney) for financial and/or personal matters. The power can commence immediately or when you can no longer make your own decisions (in other words, when you cease to have decision making capacity). You can appoint one person, or a number of people to act together or separately. You can appoint a backup person (an alternative) to act if you cannot act. You can also appoint people to make your medical treatment decisions when you can no longer make your medical decisions. This can be done through an appointment of a medical treatment decision maker document.

A power of attorney can also be either **enduring** (not limited in time) or **non enduring** (limited in time). An **enduring power of attorney** continues when you are unable to make decisions on your own. This is one you are likely to use when you are going to become permanently incapacitated or unable to manage your own affairs for some reason such as decline in health. A **non-enduring power of attorney** as the name suggest only lasts for a certain period. The end date may be specified and/or may be revoked at any time. This might be considered when living overseas for a year, but you wish a family member to be able to transact business for you while you are away.

When you become physically and mentally incapacitated and are assessed as no longer being legally competent, you will be unable to appoint an attorney. This could be in the case of developing dementia or ending up in a coma. If you have not already appointed an attorney for when you become incapacitated this can become very difficult for family members trying to deal with your affairs. They would need to apply to VCAT to get guardianship to make decisions on your behalf.

### After you die

Upon your death all powers of attorney cease, and the guiding document is your Will. You appoint a person to manage your estate (your executor) on behalf of the people you would like to benefit from your estate (your beneficiaries). You can give specific gifts (bequests) to your beneficiaries or divide your estate as a whole or in parts (or percentages) to your beneficiaries. Your Will can also deal with the passing of control of your businesses and any trusts you may have during your lifetime. It can also function as an instrument to appoint a guardian for your children, should you die leaving minor children.

***Our energetic, knowledgeable and caring approach gives peace of mind.***  
**If you need further information or to discuss your specific circumstances, please call David at our office.**

The material in this newsletter is for general information only. Independent advice applicable to any specific circumstance must be sought. While all reasonable care has been taken, no liability is accepted for incompleteness or inaccuracies of the information contain in this newsletter. In line with the privacy laws please let us know if you do not wish to receive further newsletters.