

SUMMARY
AUSTRALIAN FEDERAL BUDGET 2021

Federal Budget 2021-22

Fact Set

2021–22 Budget Highlights

- **Cash Deficit**
 - Underlying cash deficit forecast to reach \$106.6 billion in 2021-22
 - Net Debt will peak at 40.9% of GDP in June 2025
- **Personal Tax**
 - Maintain the low-middle income tax offset in 2021-22
- **Families**
 - From 1 July 2022, childcare subsidies paid to approved childcare provided will increase, reducing the costs of childcare fees. (see appendix for the changes)
- **Temporary Full Expensing**
 - Extension of temporary full expensing for an additional 12 months
- **Loss Carry Back**
 - Extended for losses in 2022-23 year
- **Intangible Assets**
 - Taxpayers to self-assess the effective life of new intangible assets

Individuals

- The personal tax rates are unchanged
 - The Government has affirmed the commitment to the tax rate changes from 1 July 2024. These changes are already legislated (See appendix for the legislated changes)
- While the personal income tax rates remain unchanged, individuals may still benefit from “Low- and middle-income tax offset” which have been extended for a further year (2021-22 income year) The maximum non-refundable as follows

Taxable income	Maximum offset
Up to \$37,000	Up to \$255
\$37,001 to \$48,000	\$255 + 7.5 cents per dollar of income over \$37,000
\$48,001 to \$90,000	\$1,080
\$90,001 to \$126,000	\$1,080 less 3 cents per dollar of income over \$90,000

Business

- Temporary full expensing and temporary loss carry-back measures from Budget 2020-21 extended for a further 12 months
- 2019-20 income years, companies that are base rate entities (as defined as deriving passive income), must apply the lower 27.5% company tax rate.
 - The rate will then reduce to 26% in 2020-21 year and 25% in the 2021-22 income year.

Self-assessing effective life of certain intangible assets

Included within the Government's \$1.2 billion Digital Economy Strategy, the Government will amend the law to allow taxpayers to self-assess the effective life of certain intangible assets.

Previously intangible assets including patents, registered designs, copyrights, licenses and in-house software, effective life was prescribed in section 40-95(7) of the Income Tax Assessment Act 1997 (ITAA 1997). The new changes outlines in the budget will allow taxpayers to depreciate such intangible assets more quickly where they self-assess the asset as having a shorter effective life than the statutory effective life.

Temporary loss carry-back extended to include the 2022-23 income year

The Government included within the budget an extension for the temporary loss-carry back for a further 12 months, to include the 2022-23 income year.

Under this measure, corporate tax entities with an aggregated annual turnover of less than \$5 billion can carry back tax losses incurred in an eligible year against taxed profits in a previous year, generating a refundable tax offset

Under the temporary loss-carry back scheme, eligible companies will be able to utilize tax losses from the 2019-20, 2020-21, 2021-22 and now the 2022-23 income year to offset previously taxed profits as far back as the 2018-19 income year or later income years.

- The amount carried back must not generate a franking deficit and is limited by the level of previously taxed profits.
- The tax refund will be available upon lodgment of the 2020-21, 2021-22 and 2022-23 tax returns.
- Companies that do not elect to carry back losses under this measure can still carry losses forward as normal.

Superannuation

- The Government will remove the current \$450 per month minimum income threshold, under which employees do not have to be paid the superannuation guarantee by their employer.
- There were no announced changes to the legislated rates of superannuation guarantee
 - The legislated superannuation guarantee rate is below:

Period	General Superannuation Guarantee Rate
FY21	9.5%
FY22	10%
FY23	10.5%
FY24	11%

Any Questions?

We are always happy to hear from you. If you are interested or wanting to know more about this budget for you or your business, please get in contact.

Federal Budget 2021-22

Fact Set

Appendix

Personal income tax thresholds:

RATE %	FROM 1 JULY 2020	FROM 1 JULY 2024
TAX FREE	0-18,200	0-18,200
19	18,201-45,000	18,201-45,000
30		45,001-120,000
32.5	45,001-120,000	
37	120,001-180,000	
45	>180,000	>200,000
LOW- AND MIDDLE- INCOME TAX OFFSET	Up to \$1,080 (to 2021-22)	\$0
LOW INCOME TAX OFFSET	Up to \$700	Up to \$700

Federal Budget 2021-22

Fact Set

Increased social security:

FAMILY INCOME	CURRENT OUT OF POCKET CHILDCARE COST PER WEEK	CURRENT MAXIMUM	NEW SECOND CHILD MAXIMUM SUBSIDY	FUTURE OUT OF POCKET CHILDCARE COST PER WEEK	TOTAL BETTER OFF PER WEEK
\$40,000.00	\$124.60	85%	95%	\$83.20	\$41.60
\$80,000.00	\$149.18	82%	95%	\$95.39	\$53.79
\$110,000.00	\$232.38	72%	95%	\$136.99	\$95.39
\$140,000.00	\$315.58	62%	92%	\$190.78	\$124.80
\$180,000.00	\$416.00	50%	80%	\$291.20	\$124.80