IMPORTANT TAX PLANNING OPPORTUNITIES TO CONSIDER NOW

The recent 2022 Federal budget announced bonus tax deductions for businesses with turnover less than $50m, that invest in new technology or in external training and upskilling for employees.
We expect full details regarding the expenditure that qualifies will clarified when the draft legislation is released, and we can provide further updates at that time.

In the meantime, the following details have been made available:

Small Business Technology Investment Boost

- Business expenses and depreciating assets that support businesses to adopt digital technologies, such as portal payment devices, cyber security systems or subscriptions to cloud-based services will be eligible for a bonus deduction of 120%.
- We expect that the draft legislation will provide further guidance, for example, how is digital adoption defined or whether subscriptions take out prior to 29 March 2022 and paid for monthly, including after that date will qualify.
- Eligible expenses are capped at $100,000 for both the 2022 and 2023 years, i.e. in total, the maximum bonus deduction will be $40,000 for a business that has spent at least $100,000 in both 2022 and 2023.

Small Business Skills and Training Boost

- Business expenses that support training and upskilling of employees will be eligible for a bonus deduction of 120%.
- Only external training courses that are provided by entities registered in Australia will be eligible, however, the training can be provided to employees both in Australia and online.
- Note that there are certain exclusions, specifically expenses related to in-house or on-the-job training and for external training courses for persons other than employees, i.e. training for a sole trader will not qualify for the bonus deduction.
- There is no cap on the amount of eligible expenditure that can qualify for the bonus deduction.

How to claim the expenditure and bonus tax deductions

- Expenditure incurred from 29 March to 30 June 2022 - claim only the actual eligible expenditure incurred in the 2022 income tax return, and the bonus 20% deduction in the 2023 income tax return.
- Expenditure incurred during the year to 30 June 2023 - claim both the actual eligible expenditure incurred plus the bonus 20% deduction in the 2023 income tax return.

Example: If you incur eligible expenditure of $50,000 before 30 June 2022 and $40,000 before 30 June 2023, then the total $108,000 deduction will be claimed as follows:

- $50,000 in the 2022 return
- $58,000 in the 2023 return, made up as follows:
  - 2022 expenses - 20%, i.e. $10,000 bonus
  - 2023 expenses - 120%, i.e. $40,000 expenses + $8,000 bonus = $48,000

Any expenditure that is not eligible for the bonus deduction will be deductible for tax purposes provided that it qualifies under the normal tax rules. Link to ATO guidance: https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Small-Business-Technology-Investment-Boost-and-Small-Business-Skills-and-Training-Boost/#:~:text=Small%20businesses%20(with%20aggregated%20annual,or%20subscriptions%20to%20cloud%20based <https://www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Small-Business-Technology-Investment-Boost-and-Small-Business-Skills-and-Training-Boost/>

We would welcome the opportunity to assist you further if you have any queries in relation to the above initiatives and other taxation planning opportunities you may be eligible for.

POTENTIAL MAXIMISED
+61 8 9489 2555
info@maximadvisory.com.au
maximadvisory.com.au
1298 Hay Street, West Perth, WA 6005
PO Box 237, West Perth, WA 6872

Liability limited by a scheme approved under Professional Standards Legislation