



**H G KHOURI & ASSOCIATES**

Accountants and Business Advisors

# client alert

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**April 2022**

## Support for flood-ravaged areas

The recent devastating flooding in South East Queensland and parts of New South Wales has left many people homeless, caused vast amounts of property damage and has sadly led to loss of life. While the clean-up effort continues in many areas, there is some immediate financial help available for those affected, including the Disaster Recovery Payment and Disaster Recovery Allowance.

Those who need immediate help can apply for the Australian Government Disaster Recovery Payment. This is one-off financial assistance of \$1,000 per eligible adult and \$400 for each eligible child aged under 16. This includes Australian resident individuals in various local government areas who have been seriously injured, lost their homes, have had their homes/major assets directly damaged, or those who have lost immediate family members as a direct result of the floods. The payment is also available to eligible New Zealand visa holders (Subclass 444) who have been affected by the floods.

Australian residents and eligible New Zealand visa holders may also be eligible to apply for the Disaster Recovery Allowance. This is a short-term payment for a maximum of 13 weeks. Eligible individuals will need to be 16 years or over, have lost income as a direct result of the storms/floods, and earn less than the average Australian weekly income in the weeks after the income loss.

Flood-impacted small businesses will receive an automatic BAS lodgment deferral – although general interest charge (GIC) may still apply to deferred payments – and can apply for a refund of previously paid PAYG instalments. Any GST refunds will also be “fast-tracked”.

**TIP:** If your small business needs help in deferring your tax obligations due to the floods, we can help liaise with the ATO on your behalf and work out the best plan for your situation. We can also help guide you through information about the available support payments for individuals and families.

## Temporary full expensing of assets extended

The availability of temporary full expensing of depreciating assets for business has been extended for another year until 30 June 2023. This measure was originally introduced in 2020 as a part of the Federal Government’s COVID-19 business rescue package, aimed at encouraging business investment by providing a cash flow benefit. As originally introduced, the measure was due to end on 30 June 2022.

Businesses with an aggregated turnover below \$5 billion or those that meet an alternative eligibility test can deduct the full cost of eligible depreciating assets of any value that are first held and first used or installed ready for use for a taxable purpose from 6 October 2020 until 30 June 2023.

For small business entities with an aggregated turnover of less than \$10 million, the temporary full expensing of depreciating asset rules has been effectively replaced with simplified depreciation rules for any assets first held and used or installed ready for use for a taxable purpose between 6 October 2020 and 30 June 2023. This means that the full cost of eligible depreciating assets, as well as costs of improvements to existing eligible depreciating assets, can be fully deducted.

Not all costs relating to assets qualify for temporary full expensing. For example, building and other capital works, as well as software development pools do not generally qualify. Second-hand assets that would otherwise meet the eligibility conditions also do not qualify for temporary full expensing if the entity that holds them has an aggregated turnover of \$50 million or more.

Special rules also apply to cars, where the temporary full expensing is limited to the business portion of the car limit.

**TIP:** If you want to take advantage of temporary full expensing, contact us first to make sure the assets your business is planning to purchase will meet the



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eligibility requirements.

## Record-keeping education in lieu of ATO financial penalties

If you run a small business and are found by the ATO to have made unintentional record-keeping mistakes, you could face having to pay an administrative penalty. However, this could soon change under a proposed new law that would give ATO the power to issue a direction to complete an approved record-keeping education course instead. Legislation to implement this measure has been introduced into Parliament but not yet passed.

This proposed change originated as a part of the Black Economy Taskforce's final report, which found that tax-related record-keeping obligations should be made clearer for businesses, and that the ATO should have a range of administrative sanctions available at its discretion for breaches of the rules.

Under the proposed new law, the ATO may issue a tax-records education direction in appropriate situations, which will require the appropriate person within a business to take a specified, approved course of education and provide the ATO with evidence of completion. This would be applied in circumstances where the record-keeping mistakes were unintentional, due to knowledge gaps or variations in levels of digital literacy, or where the ATO reasonably believes that the entity has made a genuine attempt to comply with their obligations.

The tax-records education direction would not be available to businesses that deliberately avoid record-keeping obligations. In those cases, financial penalties will still be applied, and if there is evidence of serious non-compliance, the ATO may also consider criminal sanctions.

## FHSS maximum releasable amount increased

The maximum amount that individuals can take out of their superannuation under the First Home Super Saver Scheme (FHSS) will be increased to \$50,000 for any release requests made on or after 1 July 2022. The scheme was originally envisaged as a tax-effective way for first home buyers to save for a deposit, and the increase in the maximum releasable amount presumably reflects the rapidly escalating housing price increases. The scheme is available to both first home buyers and those intending to build their first home, subject to certain conditions of occupation.

The first step in releasing eligible funds is to obtain a FHSS Determination from the ATO which sets out the maximum amount that an individual can have released under the scheme. It's imperative to make sure you've finished making all your voluntary contributions under

the scheme before applying for a Determination, and of course, to check the accuracy of the Determination issued by the ATO.

There is a limit of \$15,000 of eligible contributions that can be released each financial year (up to a total limit of \$30,000 currently, or \$50,000 from 1 July 2022).

**TIP:** To access part your super under the scheme, you must have a FHSS Determination from the ATO *before* any contract to purchase or build is signed.

When you have a FHSS Determination and subsequently sign a contract to purchase, a valid release request must be given to the ATO within 14 days. After the release of money, if you haven't signed a contract to purchase or construct a home within 12 months, the ATO will generally grant an extension for a further 12 months automatically. You also have the choice to recontribute the amount back into your super fund, or to keep the money and pay a flat 20% tax on assessable FHSS released amounts.

## Downsizer contributions: age limit change

To help those nearing retirement boost their super balances, people aged 65 and over can currently make downsizer contributions to their super of up to \$300,000 from the proceeds of the sale of their home.

**TIP:** Downsizer contributions don't count towards the super contribution caps, but do count towards the transfer balance cap, which applies when your super is moved into the retirement phase.

As part of a suite of measures introduced to provide more flexibility for those contributing to super, from 1 July 2022 the age limit for those making downsizer contributions will be decreased to include individuals aged 60 years or over. Optimistically, the government expects this decrease in the age threshold will encourage more older Australians to downsize sooner and "[free] up the stock of larger homes for younger families".

If you or your spouse are thinking of selling the family home to capture a premium, especially in regional areas, some other criteria must be satisfied so you can to make a downsizer contribution to your super, including:

- the location of the home must be in Australia;
- the home must have been owned by your or your spouse for at least 10 years;
- the home must not be a caravan, houseboat or other mobile home;
- the disposal must be exempt or partially exempt from CGT under the main residence exemption; and

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- a previous downsizer contribution must not have been made from the sale of another home or from the part sale of the current home.

Each person individual can make the maximum contribution of \$300,000, so for a couple a total contribution of \$600,000 can be made. However, the total contribution amount cannot be greater than the total proceeds from the sale of the home. If a home is owned only by one spouse and is sold, the spouse who didn't have ownership can also make a downsizer contribution or have one made on their behalf, provided all other requirements are met.

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## Work test scrapped for super contributions: under 75s

From 1 July 2022, people aged between 67 and 75 will be able to make non-concessional and salary-sacrificed contributions to their superannuation without the need to pass the work test or satisfy the work test exemption criteria. The removal of the work test from that date also allows people aged under 75 to access the bring-forward of non-concessional contributions in some cases, which may allow you to access up to three times the annual non-concessional contributions cap in a single year. Personal contributions will also be affected, although now instead of having to pass the work test to contribute, the work test only applies if a deduction is sought.

These changes are designed to provide older Australians with more flexibility to contribute to their super and add to their comfort in retirement.

Contribution caps will still apply to any contributions made to your super.

To pass the work test, an individual must be gainfully employed for at least 40 hours during a consecutive 30-day period in each income year in which contributions were made. It's an annual test, which means that once it is met, the individual can make contributions for that entire income year.

**TIP:** If you're between the ages of 67 and 75, now is the perfect time put a plan in place to grow your super. Contact us to find out more about how you can take advantage of these changes.

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## Single Touch Payroll Phase 2

Single Touch Payroll (STP) is how you send your payroll information to the ATO and it's been around since July 2018. The ATO is expanding STP to include additional information in your payroll reporting called STP Phase 2. **You must comply by the 30 June 2022.**

You will need to update your ATO Reporting categories and employee information in your STP reporting software such as MYOB, Xero, Payroller etc.

More information will be available through your Single Touch Payroll software on how to make these changes to comply.

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## ASIC Director ID Requirements

Recent legislation has introduced new obligations for company directors, requiring them to obtain a personal director identification number (Director ID).

This is particularly important as failure to comply with these new Director ID requirements may result in both civil and criminal penalties.

### When do I need to apply for a Director ID?

When you must apply for a Director ID depends on the date you became a director.

### Date you were/are appointed: must apply by date

- On or before 31 October 2021 - **By 30 November 2022**

- Between 1 November 2021 and 4 April 2022 - **Within 28 days of appointment**

- From **5 April 2022** - **Before appointed director**

Each Director must apply for your own DirectorID individually through the Australian Business Registry Service <https://www.abrs.gov.au/director-identification-number/apply-director-identification-number>

Once you have received your DirectorID, please inform our office.

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# federal budget | March 2022

## PERSONAL TAXATION

### Personal tax rates unchanged for 2022–2023

In the Budget, the Government did not announce any personal tax rates changes. The Stage 3 tax changes commence from 1 July 2024, as previously legislated.

The 2022–2023 tax rates and income thresholds for residents are unchanged from 2021–2022:

- taxable income up to \$18,200 – nil;
- taxable income of \$18,201 to \$45,000 – 19% of excess over \$18,200;
- taxable income of \$45,001 to \$120,000 – \$5,092 plus 32.5% of excess over \$45,000;
- taxable income of \$120,001 to \$180,000 – \$29,467 plus 37% of excess over \$120,000; and
- taxable income of more than \$180,001 – \$51,667 plus 45% of excess over \$180,000.

### Stage 3: from 2024–2025

The Stage 3 tax changes will commence from 1 July 2024, as previously legislated. From 1 July 2024, the 32.5% marginal tax rate will be cut to 30% for one big tax bracket between \$45,000 and \$200,000. This will more closely align the middle tax bracket of the personal income tax system with corporate tax rates. The 37% tax bracket will be entirely abolished at this time.

Therefore, from 1 July 2024, there will only be three personal income tax rates: 19%, 30% and 45%. From 1 July 2024, taxpayers earning between \$45,000 and \$200,000 will face a marginal tax rate of 30%. With these changes, around 94% of Australian taxpayers are projected to face a marginal tax rate of 30% or less.

### Low income offsets: LMITO temporarily increased, LITO retained

The low and middle income tax offset (LMITO) will be increased by \$420 for the 2021–2022 income year so that eligible individuals will receive a maximum LMITO benefit up to \$1,500 for 2021–2022 (up from the current maximum of \$1,080).

This one-off \$420 cost of living tax offset will only apply to the 2021–2022 income year. Importantly, the Government did not announce an extension of the LMITO to 2022–2023. So it remains legislated to only apply until the end of the 2021–2022 income year (albeit up to \$1,500 instead of \$1,080).

The Government said the LMITO for 2021–2022 will be paid from 1 July 2022 to more than 10 million individuals when they submit their tax returns for the 2021–2022 income year. Other than those who do not require the full offset to reduce their tax liability to zero,

all LMITO recipients will benefit from the full \$420 increase. That is, the proposed one-off \$420 cost of living tax offset will increase the maximum LMITO benefit in 2021–2022 to \$1,500 for individuals earning between \$48,001 and \$90,000 (but phasing out up to \$126,000). Those earning up to \$48,000 will also receive the \$420 one-off tax offset on top of their existing \$255 LMITO benefit (phasing up for incomes between \$37,001 and \$48,000).

All other features of the current LMITO remain unchanged (including that it will only apply until the end of the 2021–2022 income year). Consistent with the current LMITO, taxpayers with incomes of \$126,000 or more will not receive the additional \$420.

As already noted, the Government has proposed that eligible taxpayers with income up to \$126,000 will receive the additional one-off \$420 cost of living tax offset for 2021–2022 on top of their existing LMITO benefit.

Currently, the amount of the LMITO for 2021–2022 is \$255 for taxpayers with a taxable income of \$37,000 or less. Between \$37,000 and \$48,000, the value of LMITO increases at a rate of 7.5 cents per dollar to the maximum amount of \$1,080. Taxpayers with taxable incomes from \$48,000 to \$90,000 are eligible for the maximum LMITO of \$1,080. From \$90,001 to \$126,000, LMITO phases out at a rate of 3 cents per dollar.

### Low income tax offset (unchanged)

The low income tax offset (LITO) will also continue to apply for the 2021–2022 and 2022–2023 income years. The LITO was intended to replace the former low income and low and middle income tax offsets from 2022–2023, but the new LITO was brought forward in the 2020 Budget to apply from the 2020–2021 income year.

The maximum amount of the LITO is \$700. The LITO will be withdrawn at a rate of 5 cents per dollar between taxable incomes of \$37,500 and \$45,000 and then at a rate of 1.5 cents per dollar between taxable incomes of \$45,000 and \$66,667.

### Medicare levy low-income thresholds increased

For the 2021–2022 income year, the Medicare levy low-income threshold for singles will be increased to \$23,365 (up from \$23,226 for 2020–2021). For couples with no children, the family income threshold will be increased to \$39,402 (up from \$39,167 for 2020–2021). The additional amount of threshold for each dependent child or student will be increased to \$3,619 (up from \$3,597).

For single seniors and pensioners eligible for the SAPTO, the Medicare levy low-income threshold will be increased to \$36,925 (up from \$36,705 for 2020–

2021). The family threshold for seniors and pensioners will be increased to \$51,401 (up from \$51,094), plus \$3,619 for each dependent child or student.

Legislation is required to amend these thresholds, and a Bill will be introduced shortly.

### **COVID-19 test expenses to be deductible**

The Budget papers confirm that the costs of taking COVID-19 tests – including polymerase chain reaction (PCR) tests and rapid antigen tests (RATs) – to attend a place of work are tax deductible for individuals from 1 July 2021. In making these costs tax deductible, the Government will also ensure FBT will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose.

This measure was previously announced on 8 February 2022.

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## **COST OF LIVING MEASURES**

### **One-off \$250 cost of living payment**

The Government will make a \$250 one-off cost of living payment in April 2022 to six million eligible pensioners, welfare recipients, veterans and eligible concession card holders.

The \$250 payment will be tax-exempt and not count as income support for the purposes of any Government income support. A person can only receive one economic support payment, even if they are eligible under two or more of the eligible categories.

The payment will only be available to Australian residents who are eligible recipients of the following payments, and to concession card holders:

- Age Pension;
- Disability Support Pension;
- Parenting Payment;
- Carer Payment;
- Carer Allowance (if not receiving a primary income support payment);
- Jobseeker Payment;
- Youth Allowance;
- Austudy and Abstudy Living Allowance;
- Double Orphan Pension;
- Special Benefit;
- Farm Household Allowance;
- Pensioner Concession Card (PCC) holders;
- Commonwealth Seniors Health Card holders; and
- eligible Veterans' Affairs payment recipients and Veteran Gold card holders.

## **Temporary reduction in fuel excise**

The Government will reduce the excise and excise-equivalent customs duty rate that applies to petrol and diesel by 50% for six months. The excise and excise-equivalent customs duty rates for all other fuel and petroleum-based products, except aviation fuels, will also be reduced by 50% for six months.

The Treasurer said this measure will see excise on petrol and diesel cut from 44.2 cents per litre to 22.1 cents. Mr Frydenberg said a family with two cars who fill up once a week could save around \$30 a week, or around \$700 over the next six months. The Treasurer made a point of emphasising that the Australian Competition and Consumer Commission (ACCC) will monitor the price behaviour of retailers to ensure that the lower excise rate is fully passed on.

The measure will commence from 12.01 am on 30 March 2022 and will remain in place for six months, ending at 11.59 pm on 28 September 2022.

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## **BUSINESS TAXATION**

### **Deduction boosts for small business: skills and training, digital adoption**

The Government announced two support measures for small businesses (aggregated annual turnover less than \$50 million) in the form of a 20% uplift of the amount deductible for expenditure incurred on external training courses and digital technology.

#### ***External training courses***

An eligible business will be able to deduct an additional 20% of expenditure incurred on external training courses provided to its employees. The training course must be provided to employees in Australia or online, and delivered by entities registered in Australia.

Some exclusions will apply, such as for in-house or on-the-job training.

The boost will apply to eligible expenditure incurred from 7:30 pm (AEDT) on 29 March 2022 until 30 June 2024.

The boost for eligible expenditure incurred by 30 June 2022 will be claimed in tax returns for the following income year. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2024, will be included in the income year in which the expenditure is incurred.

#### ***Digital adoption***

An eligible business will be able to deduct an additional 20% of the cost incurred on business expenses and depreciating assets that support its digital adoption, such as portable payment devices, cyber security systems or subscriptions to cloud-based services.

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An annual cap will apply in each qualifying income year so that expenditure up to \$100,000 will be eligible for the boost.

The boost will apply to eligible expenditure incurred from 7:30 pm (AEDT) on 29 March 2022 until 30 June 2023.

The boost for eligible expenditure incurred by 30 June 2022 will be claimed in tax returns for the following income year. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2023 will be included in the income year in which the expenditure is incurred.

### **PAYG instalments: option to base on financial performance**

The Budget papers confirm the Treasurer's earlier announcement that companies will be allowed to choose to have their PAYG instalments calculated based on current financial performance, extracted from business accounting software (with some tax adjustments).

The commencement date is "subject to advice from software providers about their capacity to deliver". It is anticipated that systems will be in place by 31 December 2023, with the measure to commence on 1 January 2024, for application to periods starting on or after that date. There are no details yet as to what tax adjustments will be required (although presumably this will involve a reverse, modified form of tax effect accounting).

### **PAYG and GST instalment uplift factor**

The Budget papers confirm the Treasurer's earlier announcement that the GDP uplift factor for PAYG and GST instalments will be set at 2% for the 2022–2023 income year. The papers state that this uplift factor is lower than the 10% that would have applied under the statutory formula.

The 2% GDP uplift rate will apply to small to medium enterprises eligible to use the relevant instalment methods (up to \$10 million annual aggregated turnover for GST instalments and \$50 million annual aggregated turnover for PAYG instalments) in respect of instalments that relate to the 2022–2023 income year and fall due after the enabling legislation receives assent.

### **More COVID-19 business grants designated NANE income**

The Government has extended the measure which enables payments from certain state and territory COVID-19 business support programs to be made non-assessable, non-exempt (NANE) income for income tax purposes until 30 June 2022. This measure was originally announced on 13 September 2020.

Consistent with this, the Government has made the following state and territory grant programs eligible for this treatment since the 2021–2022 Mid-Year Economic and Fiscal Outlook:

- New South Wales Accommodation Support Grant
- New South Wales Commercial Landlord Hardship Grant
- New South Wales Performing Arts Relaunch Package
- New South Wales Festival Relaunch Package
- New South Wales 2022 Small Business Support Program
- Queensland 2021 COVID-19 Business Support Grant
- South Australia COVID-19 Tourism and Hospitality Support Grant
- South Australia COVID-19 Business Hardship Grant.

The changes are part of an ongoing series of announcements which will continue to have effect until 30 June 2022.

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## **TAX COMPLIANCE AND INTEGRITY**

### **Digitalising trust income reporting**

The Budget confirms the Government's previously announced intention to digitalise trust and beneficiary income reporting and processing.

It will allow all trust tax return filers the option to lodge income tax returns electronically, increasing pre-filling and automating ATO assurance processes. There are no other additional details in the Budget papers than in the earlier announcement.

The measure will commence from 1 July 2024 – "subject to advice from software providers about their capacity to deliver".

The Government advises that it will consult with affected stakeholders, tax practitioners and digital service providers to finalise the policy scope, design and specifications.

### **Taxable payments data reporting: option to link to BAS cycle**

The Budget confirms the Treasurer's earlier announcement that businesses will be provided with the option to report taxable payments reporting system data on the same lodgment cycle as their activity statements, via accounting software. The rules for the taxable payments reporting system are contained in Subdiv 396-B of Sch 1 to the *Taxation Administration Act 1953*.

The Government will consult with affected stakeholders, tax practitioners and digital service providers to finalise the policy scope, design and specifications of the measure.

Subject to advice from software providers about their capacity to deliver, it is anticipated that systems will be in place by 31 December 2023, with the measure to commence on 1 January 2024.

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## SUPERANNUATION

### Super guarantee: rate rise unchanged

The Budget did not announce any change to the timing of the next super guarantee (SG) rate increase. The SG rate is currently legislated to increase from 10% to 10.5% from 1 July 2022, and by 0.5% per year from 1 July 2023 until it reaches 12% from 1 July 2025.

With the SG rate set to increase to 10.5% for 2022–2023 (up from 10%), employers need to be mindful that they cannot use an employee's salary-sacrificed contributions to reduce the employer's extra 0.5% of super guarantee. The ordinary time earnings (OTE) base for super guarantee purposes now specifically includes any sacrificed OTE amounts. This means that contributions made on behalf of an employee under a salary sacrifice arrangement (defined in s 15A of the *Superannuation Guarantee (Administration) Act 1992*) are not treated as employer contributions which reduce an employer's charge percentage.

### Super Guarantee opt-out for high-income earners

The increase in the SG rate to 10.5% from 1 July 2022 also means that the SG opt-out income threshold will decrease to \$261,904 from 1 July 2022 (down from \$275,000). 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 (\$27,500 for 2021–2022 and 2022–2023). Therefore, the SG opt-out threshold from 1 July 2022 will be \$261,904 (\$27,500 divided by 0.105).

### Superannuation pension drawdowns

The temporary 50% reduction in minimum annual payment amounts for superannuation pensions and annuities will be extended by a further year to 30 June 2023.

The 50% reduction in the minimum pension drawdowns, which has applied for the 2019–2020, 2020–2021 and 2021–2022 income years, was due to end on 30 June 2022. However, the Government announced that the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations) will be amended to extend this temporary 50% reduction for minimum annual pension payments to the 2022–2023 income year. Given ongoing volatility, the Government said the extension of this measure to

2022–2023 will allow retirees to avoid selling assets in order to satisfy the minimum drawdown requirements.

### Minimum drawdowns reduced 50% for 2022–2023

The reduction in the minimum payment amounts for 2022–2023 is expected to apply to account-based, allocated and market linked pensions. Minimum payments are determined by age of the beneficiary and the value of the account balance as at 1 July each year under Sch 7 of the SIS Regulations.

No maximum annual payments apply, except for transition to retirement pensions which have a maximum annual payment limit of 10% of the account balance at the start of each financial year.

For the purposes of determining the minimum payment amount for an account-based pension or annuity for the financial years commencing 1 July 2019, 1 July 2020, 1 July 2021 (and 1 July 2022 proposed), the minimum payment amount is half the amount worked under the formula in clause 1 of Sch 7 of the SIS Regs. The relevant percentage factor is based on the age of the beneficiary on 1 July in the financial year in which the payment is made (or on the commencement day if the pension commenced in that year).

For market linked income streams (MLIS), the minimum payment amount for the financial years commencing 1 July 2019, 1 July 2020, 1 July 2021 (and 1 July 2022 proposed) must be not less than 45% (and not greater than 110%) of the amount determined under the standard formula in clause 1 of Sch 6 of the SIS Regs.

Note that the 50% reduction in the minimum annual pension payments are not compulsory. That is, a pensioner can continue to draw a pension at the full minimum drawdown rate or above for 2019–2020, 2020–2021, 2021–2022 (and 2022–2023 proposed), subject to the 10% limit for transition to retirement pensions. However, it will generally be inappropriate to take more than the minimum annual drawdowns in the form of a pension payment given the pension transfer balance cap. Rather, it generally makes more sense to access any additional pension amount above the minimum drawdown in the form of a partial commutation of the pension instead of taking more than the minimum annual drawdowns. This is because a commutation will generate a debit for their pension transfer balance account, while an additional pension payment above the minimum will not result in a debit.

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