Overview of key changes

Be aware of key changes and new measures when completing your clients' 2022 tax returns.

On this page

Key changes for individuals

Key changes and what's new for individuals (/Individuals/Your-tax-return/Before-you-prepare-your-tax-return/What-s-new-for-individuals/) this year includes:

- COVID-19 payments
- Deductions for COVID-19 tests
- Working holiday makers
- Granny flat arrangements and GST

COVID-19 payments

If you received a **COVID-19 disaster payment** during 2021–22, because state or territory health orders prevented you from working in your usual employment:

- that payment is exempt from income tax, and
- you do not include the payment in your tax return.

If you received a **pandemic leave disaster payment** during 2021–22, you must include it in your tax return as income. These payments were made to eligible individuals who were unable to earn income because either:

- they had to self-isolate or quarantine at home
- they were caring for someone with COVID-19.

Services Australia has told you, or will tell you, the amount that you received.

For more information, see Government grants, payments and stimulus during COVID-19 – tax implications (/General/COVID-19/Government-grants,-payments-and-stimulus-during-COVID-19/Tax-implications/).

Deductions for COVID-19 tests

You can claim a deduction in 2021–22 for costs you incurred for COVID-19 test expenses (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Personal-grooming-health-and-fitness/COVID-19-test-expenses/). This is if you used the test for a work-related purpose, such as to determine whether you could attend or remain at work. The test can be any test in the Australian Register of Therapeutic Goods, such as a polymerase chain reaction (PCR) test or rapid antigen (RAT) test.

To claim a deduction, you must have records to prove that:

- you incurred the cost (usually a receipt), and
- you were required to take the test for work purposes.

You can also claim a deduction for the cost of a COVID-19 test if you required the test to undertake travel away from your home overnight for work purposes.

Claim only the work-related portion of your expense on COVID-19 tests. For example, if you buy a multipack of COVID-19 tests and use some for private purposes – such as for other family members or for leisure activities – you may claim only the portion of the expense you used for a work-related purpose.

You can't claim a deduction for the cost of a COVID-19 test if:

- you used the test for private purposes, for example to test your children before they returned to school
- you worked from home and did not intend to attend your workplace
- your employer provided the test or you were reimbursed for the cost of the test.

You can't claim the cost of travelling, or of parking, to get a COVID-19 test.

For deductions you can claim if you were travelling for work and had to quarantine, see Quarantine and testing expenses when travelling on work (/Individuals/Income-deductions-offsets-and-records/Deductions-you-can-claim/Cars-transport-and-travel/Overnight-travel-expenses-and-allowances/Quarantine-and-testing-expenses-when-travelling-for-work/).

Working holiday makers

If you worked as a working holiday maker (WHM) (https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-listing/work-holiday-417) – subclass visa 417 Working Holiday or subclass visa 462 Work and Holiday (backpackers) – your employer withheld tax from your pay and you may need to lodge a tax return.

Most people who come to Australia for a working holiday, or to visit, are foreign residents for tax purposes. Whether you were an Australian or a foreign resident for tax purposes does not affect the rate of tax you pay.

However, you are eligible to be taxed as a resident Australian national (as a permanent resident of Australia or an Australian citizen) if, in 2021–22, you were:

- an Australian resident for tax purposes (/Individuals/Ind/Resident-for-tax-if-WHM-/), and
- from a non-discrimination article (NDA) country (/Individuals/Coming-to-Australia-or-going-overseas/Coming-to-Australia/Working-holiday-makers/Taxation-of-Australian-resident-WHMs-from-NDA-countries/) (that is, Chile, Finland, Germany, Israel, Japan, Norway, Turkey or the United Kingdom).

Granny flat arrangements and CGT

Since 1 July 2021, capital gains tax (CGT) does not apply when a granny flat arrangement (/Individuals/Capital-gains-tax/Property-and-capital-gains-tax/Granny-flat-arrangements-and-CGT/) is created, varied or terminated. A granny flat agreement is a written agreement that gives an eligible person the right to occupy a property for life.

The CGT exemption only applies if all of the following apply:

- the owner or owners of the property are individuals
- one or more eligible people have an eligible granny flat interest in the property
- the owners and the people with the granny flat interest enter into a written and binding granny flat arrangement. This arrangement must not be commercial in nature.

Normal CGT rules apply if there is no granny flat arrangement or if you are doing something other than creating, varying or terminating a granny flat arrangement.

Key changes for companies

The key changes for companies include:

- Temporary full expensing extended to 30 June 2023
- Loss carry back tax offset tool
- Research and development (R&D) tax incentive amendments
- Film tax offsets
- Offshore banking unit regime
- Change in tax rate for base rate entities
- New and modified items in the 2022 Company tax return
- Removed items in the 2022 Company tax return

Temporary full expensing extended to 30 June 2023

In 2020, the Australian Government introduced temporary tax incentives to help Australian businesses withstand the impacts of COVID-19. One of these temporary tax incentives was temporary full expensing (/Business/Depreciation-and-capital-expenses-and-allowances/Temporary-full-expensing/). This incentive has now been extended for eligible businesses until 30 June 2023. Other than the extension, the operation of the regime remains the same.

Corporate tax entities using the alternative income test to determine eligibility for temporary full expensing can now include the cost of depreciating assets that are capital works. This is when determining if their cost of depreciating assets for the 2016–17, 2017–18 and 2018–19 income years (combined) exceeds $100 million. For more information, see Instant asset write-off for eligible businesses (/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Instant-asset-write-off/).

Loss carry back tax offset tool

You can now use the loss carry back tax offset tool (/Calculators-and-tools/Loss-carry-back-tax-offset-tool/) to help you work out if you are eligible to claim the loss carry back tax offset. If you are eligible, you can use the calculator to work out the maximum loss carry back tax offset you can choose to claim. It will also provide the information to include in the labels you need to make your claim in your *Company tax return 2022*.

Research and development (R&D) tax incentive amendments

Changes have been enacted to the research and development (R&D) tax incentive (/Business/Research-and-development-tax-incentive/). These changes include how the R&D tax offset is calculated, R&D expenditure thresholds and certain integrity measures. They apply from the first income year commencing on or after 1 July 2021.

Film tax offsets

On 7 December 2021, changes to the Australian Screen Industry Incentive (Film Tax Offsets) received royal assent. The amendments apply to films commencing principal photography on or after 1 July 2021. The changes include:

- an increase to the producer offset to 30% for an eligible film that is not a feature film
- other various threshold and integrity changes across the 3 film tax offsets.

See more information on the Screen Australia (https://www.screenaustralia.gov.au/sa/screen-news/2021/12-08-update-from-producer-offset-co-production) website.

Offshore banking unit regime

On 13 September 2021, the Amending Australia's offshore banking unit (OBU) regime became law. The Australian Government will remove the concessional tax treatment for OBUs for offshore banking activities, effective from the 2023–24 income year. The interest withholding tax exemption for OBUs will also be removed for interest paid on or after 1 January 2024.

See more information at Changes to Australia's Offshore Banking Unit Regime (/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-businesses/Changes-to-Australia-s-Offshore-Banking-Unit-Regime/).

Change in tax rate for base rate entities

The corporate tax rate for base rate entities for 2021–22 is 25%.

See more information at Base rate entity company tax rates (/rates/changes-to-company-tax-rates/?anchor=Baserateentitycompanytaxrate#Baserateentitycompanytaxrate).

New and modified items in the Company tax return 2022

The Company tax return 2022 (/Forms/Company-tax-return-2022/) includes the following new items about capital allowances, loss carry back, and research and development (R&D) tax incentive:

Item 9 – Capital allowances – one modified label

- **C** – Have you self-assessed the effective life of any of these assets?

Label C has been shifted to follow labels A and B at the top of item 9 – Capital allowances.

Item 13 – Losses information – 8 new labels

- **D** – Tax loss 2021–22 carried back to 2018–19
- **E** – Tax loss 2021–22 carried back to 2019–20
- **F** – Tax loss 2021–22 carried back to 2020–21
- **H** – Tax rate 2020–21
- **K** – Net exempt income 2020–21
- **N** – Income tax liability 2020–21
- **Q** – Select your aggregated turnover range for 2020–21 (Select range A to P)

Item 21 – Research and development tax incentive – 2 labels

- **X** – Balancing adjustments – catch-up deduction
- **W modified** from W – Feedstock adjustment – additional assessable income to **W** – Clawback amounts – additional assessable income

Removed items in the Company tax return 2022

The following labels have been removed from the *Company tax return 2022*.

Item 9 – Capital allowances – 5 removed labels

- **V** – Are you making a choice to opt out of backing business investment for some or all of your eligible assets?
- **W** – Number of assets you are opting out for
- **X** – Value of assets you are opting out for
- **M** – First year accelerated depreciation deductions for assets using backing business investment
- **O** – Instant asset write-off deductions for non-small business entities

Capital allowances label changes were made at the end of 2 depreciation incentives. In March 2020, the Australian Government introduced 2 tax depreciation incentives (/Business/Depreciation-and-capital-expenses-and-allowances/In-detail/Interaction-of-tax-depreciation-incentives/) to help businesses with an aggregated turnover of less than $500 million recover from the impacts of COVID-19 and support business investment. These were backing business investment – accelerated depreciation (/Business/Depreciation-and-capital-expenses-and-allowances/Backing-business-investment---accelerated-depreciation/) (BBI) and enhanced instant asset write-off (/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Instant-asset-write-off/). From December 2020, eligible businesses were able to choose to opt out of applying BBI to eligible assets on an asset-by-asset basis.

Businesses that have previously claimed BBI depreciation deductions for eligible assets in an earlier year, should include their total depreciation deductions in 2021–22 for these assets at label **N** – *Subsequent year accelerated depreciation deductions for assets using backing business investment*.

For assets first used or installed ready for use for a taxable purpose in 2021–22, or improvements to existing assets made in 2021–22, businesses may be eligible for an immediate deduction under temporary full expensing (/Business/Depreciation-and-capital-expenses-and-allowances/Temporary-full-expensing/).

Item 11 – Consolidation deductions relating to rights to future income, consumable stores and work in progress – 2 removed labels

These labels were removed due to such deductions being unlikely to arise after the 2020–21 income year.

- **D** – Pre-rules deductions
- **E** – Interim rules deductions

Key changes for attributed managed investment funds (AMITs)

Removed items in the AMIT tax return

With backing business investment – accelerated depreciation (/Business/Depreciation-and-capital-expenses-and-allowances/Backing-business-investment---accelerated-depreciation/) not applying to assets first used or first installed ready for use for a taxable purpose on or after 1 July 2021, the following labels have been removed from the AMIT tax return 2022 (/Forms/Attribution-managed-investment-trust-(AMIT)-tax-return-instructions-2022/).

Capital allowances – 3 removed labels

Are you making a choice to opt out of backing business investment for some or all of your eligible assets?

- Number of assets you are opting out for.
- Value of assets you are opting out for.

Key changes for super funds

The key changes for super funds and rollover funds include:

- Increase to the maximum number of allowable members in a self-managed super fund and small APRA-regulated super fund
- Closure of eligible rollover funds

- Actuarial certificate requirements for small super funds
- Choice of calculation method for ECPI for certain complying super funds

Increase to the maximum number of allowable members in a self-managed super fund and small APRA-regulated super fund

The *Treasury Laws Amendment (Self Managed Superannuation Funds) Bill 2021*, that increases the maximum number of allowable members in self-managed super funds and small APRA-regulated super funds from 4 to 6 has passed and received royal assent on 22 June 2021. The amendments commenced from 1 July 2021.

Closure of eligible rollover funds

The *Treasury Laws Amendment (Reuniting More Superannuation) Bill 2020*, that facilitates the closure of eligible rollover funds (ERF) has passed and received royal assent on 22 March 2021.

The reporting and payment of ERF accounts will be due and payable by:

- 30 June 2021 – for ERF low balance accounts (less than $6,000)
- 31 January 2022–- for all other accounts held by ERFs.

Actuarial certificate requirements for small super funds

The *Treasury Laws Amendment (2021 Measures No 6) Bill 2021* has passed and received royal assent on 13 September 2021. The amendments commenced from 1 October 2021 and apply to assessments for the 2021–22 income year and later income years.

The amendment removes the requirement for trustees of small super funds (complying funds with no more than 6 members) to obtain an actuarial certificate when calculating exempt current pension income (ECPI). This is where all members of the fund are fully in retirement phase for all of the income year.

Choice of calculation method for ECPI for certain complying super funds

The *Treasury Laws Amendment (Enhancing Superannuation Outcomes for Australians and Helping Australian Businesses Invest) Bill 2021* has passed and received royal assent on 22 February 2022. The amendments commenced from 1 April 2022 and apply to the 2021–22 income year and later income years.

The amendments allow superannuation trustees to choose their preferred method of calculating ECPI if all of the fund's assets are held to discharge liabilities for retirement phase interests for part, but not all, of the income year.

Small super funds should refer to exempt current pension income (/Super/Self-managed-super-funds/In-detail/SMSF-resources/SMSF-technical/Exempt-current-pension-income/) to confirm which ECPI method the fund is eligible to use and their actuarial certificate requirements.

Key changes for partnerships

Changes to capital allowance rules

Two depreciation incentives helped businesses with an aggregated turnover of less than $500 million to recover from the impacts of COVID-19 and to invest:

- backing business investment – accelerated depreciation (/Business/Depreciation-and-capital-expenses-and-allowances/Backing-business-investment---accelerated-depreciation/) (BBI), and
- enhanced instant asset write-off (/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Instant-asset-write-off/).

The 2020–21 options V, W, X, M and O no longer apply. They do not appear in the *2022 Partnership tax return* since:

- BBI does not apply to assets first held, first used or first installed for use, from 1 July 2021
- enhanced instant asset write-offs do not apply from 1 July 2021.

If you claimed BBI depreciation deductions for an eligible asset in an earlier income year, you should include the total depreciation deduction for that asset at N item 49.

You may be eligible for an immediate deduction under temporary full expensing (/Business/Depreciation-and-capital-expenses-and-allowances/Temporary-full-expensing/) for:

- assets first used or first installed ready for use for a taxable purpose in 2021–22
- improvements to existing assets made in 2021–22.

Key changes for trusts

Removed items in the Trust tax return 2022

Item 50 – Capital allowances – 5 removed labels

The following labels have been removed from the Trust tax return 2022 (/Forms/Trust-tax-return-2022/):

- V – Are you making a choice to opt out of backing business investment for some or all of your eligible assets?

- W – Number of assets you are opting out for
- X – Value of assets you are opting out for
- M – First year accelerated depreciation deductions for assets using backing business investment
- O – Instant asset write-off deductions for non-small business entities.

Capital allowances label changes were made at the end of 2 depreciation incentives. In March 2020, the Australian Government introduced 2 tax depreciation incentives (/Business/Depreciation-and-capital-expenses-and-allowances/In-detail/Interaction-of-tax-depreciation-incentives/) to help businesses with an aggregated turnover of less than $500 million recover from the impacts of COVID-19 and support business investment. These were backing business investment – accelerated depreciation (/Business/Depreciation-and-capital-expenses-and-allowances/Backing-business-investment---accelerated-depreciation/) (BBI) and enhanced instant asset write-off (/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Instant-asset-write-off/). From December 2020, eligible businesses were able to choose to opt out of applying BBI to eligible assets on an asset-by-asset basis.

Businesses that have previously claimed BBI depreciation deductions for eligible assets in an earlier year, should include their total depreciation deductions in 2021–22 for these assets at label N – Subsequent year accelerated depreciation deductions for assets using backing business investment.

For assets first used or installed ready for use for a taxable purpose in 2021–22, or improvements to existing assets made in 2021–22, businesses may be eligible for an immediate deduction under temporary full expensing (/Business/Depreciation-and-capital-expenses-and-allowances/Temporary-full-expensing/).

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