

Extra deductions for staff training: BONUS (1)

One of the key features of the recent federal budget handed down by the government was a proposal for extra deductions for employers for expenditure incurred in training their staff. Let's take a closer look.

Proposal

Small businesses with an aggregated annual turnover of less than \$50 million will be able to deduct an additional 20% of expenditure incurred on eligible training courses provided to employees. The 20% boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 (Budget night) until 30 June 2024.

Of course, this measure is subject to the passage of legislation through Parliament, which may also be subject to the government winning the upcoming election. For its part, the opposition has not ruled out adopting this proposal should it form the next government.

Key points

There are a few key points to note about the new 20% bonus deduction proposal:

- It appears to apply only to expenditure on eligible training courses provided to employees. Therefore, depending on how the legislation is drafted, it may not apply to people acting under their own steam e.g. as sole traders
- The announcement referred to training delivered by "organisations registered in Australia". This may potentially mean only training delivered by registered training organisations (RTOs) will be eligible. Again, this will depend on the final form of the legislation.

Private components, such as side tours, would remain private and non-deductible. There are also questions around whether the legislation will extend the bonus deduction to "holiday conferences" – again this will depend on the wording used. It may require conferences to be split into non training costs (the travel and accommodation) on the one hand, and training costs (such as the actual course fee) on the other hand.

The good news though is that even if the above criteria is not met in relation to the new 20% bonus deduction proposal, businesses may continue to deduct expenditure that is ineligible for the bonus deduction in accordance with the existing tax law which is wider than the proposed new 20% bonus deduction. In this sense, the new bonus deduction proposal is in addition to the existing law, it does not appear to change it.

Timing

For expenditure incurred from Budget night to 30 June 2022, the ATO advise to claim 100% in your upcoming 2021/22 tax return, and then the extra 20% in your 2022/23 return (subject of course to the passage of the legislation).

The bonus 20% 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.

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