

Tax residency rule changes but impact and details remain unclear.

Key takeaways

Low and middle income tax offset (LMITO) retained for 2021 – 22 income year

LMITO retained for 2021 – 22, which provides a reduction in tax of up to \$1,080. Consistent with the current arrangements, the LMITO will be received on assessment after individuals lodge their tax returns for the 2021 – 22 income year. This equates to \$7.8 billion to extend tax relief to around 10.2 million low- and middle-income earners.

Employee Shares Schemes (ESS)

The Government will remove the 'cessation of employment' taxing point for the tax-deferred ESS that are available for all companies. This change will apply to ESS interests issued from the first income year after the date of Royal Assent of the enabling legislation.

Modernising the individual tax residency rules

The primary test will be a simple 'bright line' test: a person who is physically present in Australia for 183 days or more in any income year will be an Australian tax resident.

Individuals who do not meet the primary test will be subject to secondary tests that will take into account an individual's circumstances, with a combination of physical presence and measurable, objective criteria.

Removal of \$250 self – education deductions exclusion

The Government will remove the exclusion for claiming a tax deduction for the first \$250 of costs for prescribed education courses.

Opportunities

Review your tax residency position and the possible impact of the changes to the residency tests.

Did the Budget put the spotlight on what you wanted?

Australia was the only country in the world to tax ESS awards at termination of employment, therefore, the removal of this is a positive step in aligning Australian workers with their overseas colleagues.

Our review



3/5 – Not enough in the plot

Some structural tax reform with refinements to ESS and Tax residency for individuals but, outside of these, just tinkering at the periphery.



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