
BONUS DEDUCTION FOR EMPLOYEE TRAINING PROPOSAL



As a part of its strategy to address the current skills shortage as well as to future-proof Australia's workforce by building better trained and more productive workers, the government has proposed to implement a temporary "skills and training boost" initiative. This initiative proposes to give small businesses access to a bonus deduction equal to 20% of eligible expenditure on certain training for employees, both existing and new, between 29 March 2022 and 30 June 2024.

The bonus deduction will be available to all entities that meet the definition of a small business entity (ie those with an aggregated annual turnover of less than \$50m) in the income year in which the eligible expenditure is incurred.

Eligible expenditure must satisfy the following criteria:

- expenditure must be for training employees, either in-person in Australia, or online;
- expenditure must be charged, directly, or indirectly, by a registered training provider and be for training within the scope (if any) of the provider's registration – although any additional costs associated with the provider invoicing through an intermediary such as commissions or other fees will not be eligible for the bonus deduction;
- the registered training provider must not be the small business or an associate of the small business;
- expenditure must already be deductible under taxation law (ie the training must be necessarily incurred in carrying on a business for the purpose of gaining or producing income) – the deductible training may be either an operating expense or of a capital nature, although GST is usually excluded;
- expenditure must be incurred within a specific period (between 7.30pm legal time in the ACT on 29 March 2022 and 30 June 2024); and
- expenditure must be for the provision of training, where the enrolment or arrangement for the provision of the training occurs at or after 7.30pm legal time in the ACT on 29 March 2022.

This initiative only covers employees, and as such, the bonus deduction is not available for the training of non-employee business owners such as sole traders, partners in a partnership and independent contractors who are not employees of the business within the ordinary meaning. In addition, the requirement for the expenditure to be incurred on external training means that the cost of any in-house or on-the-job training is not eligible for the bonus deduction. According to the government, this is because the bonus deduction is not intended to cover general business operating costs.

Training providers wishing to take advantage of this measure must be registered with at least one of the following authorities to ensure quality and integrity:

- Australian Skills Quality Authority (ASQA);
- Tertiary Education Quality and Standards Agency (TEQSA);
- Victorian Registration and Qualifications Authority; or
- Training Accreditation Council of Western Australia.

It should be noted that this proposal is currently in the draft stage and is undergoing consultation and as such the bonus deduction will not be available until the measure becomes law. No timeframes have been given as to when that will occur.

CONTACT

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