



19 September 2022

The Director
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Treasury
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Dear Director

Technology investment boost

Chartered Accountants Australia and New Zealand welcomes the opportunity to comment upon the exposure draft legislation and explanatory memorandum for Treasury Laws Amendment (Measures for consultation) Bill 2022: Technology Investment Boost.

Flexibility to extend the operational period due to supply constraints

The technology investment boost applies to expenditure incurred between 29 March 2022 and 30 June 2023. Expenditure that relates to depreciable assets such as computers must be installed ready for use by 30 June 2023.

Numerous articles¹ are reporting chip shortages. This combined with shipping delays may mean that some items that a business may want to acquire to assist it digitalise its operations may not be able to be delivered for installation by 30 June 2023. Supply chain issues will need to be monitored to ensure that they do not undermine the effectiveness of this measure.

Consideration should be given to inserting a provision that allows the Treasurer to extend the operation of this provision should these supply chain concerns materialise.

¹ 22 Nov 21 <https://www.cnet.com/tech/computing/global-chip-shortage-gives-us-manufacturing-a-boost/> the chip shortage is disrupting everything electronic and is expected to ease in 2022 and fade in 2024 though IBM expects the shortage to last throughout 2023 and even 2024.

27 Jan 22 <https://www.computerworld.com/article/3648349/about-that-alarming-chip-shortage-dont-count-on-new-fab-plants-to-help-quickly.html> there are plans to build plants to meet supply but consumers will still have to wait.

22 Feb 22 <https://itdepartment.com.au/blog/whats-with-the-current-hardware-shortage-in-australia> Businesses and individuals in Australia are feeling the effects of a lack of computer hardware. It seems that manufacturers are struggling to keep up with the demand for semiconductors, which is slowing down the production of cars, phones and laptops.

11 Aug 22 <https://www.jpmorgan.com/insights/research/supply-chain-chip-shortage> more chips will become available in the second half of 2022 but they may not be the right type to satisfy demand. Semiconductor demand won't be sufficient to meet demand till 2024.

Digital operations – Greater number of examples needed

Section 328-460(1)(d) requires that expenditure be incurred wholly or substantially for the purposes of your digital operations or digitalising your operations. Paragraph 1.14 of the draft explanatory materials notes this includes (and is not limited to):

- Digital enabling items – computer and telecommunications hardware and equipment, software, systems and services that form and facilitate the use of computer networks;
- Digital media and marketing – audio and visual content that can be created, accessed, stored or viewed on digital devices; and
- e-commerce – supporting digitally ordered or platform enabled online transactions.

The Budget announcement² referred to portable payment devices, cyber security systems and subscriptions to cloud-based services. These items should also be referred to in the explanatory materials.

Common questions that will be asked by small businesses include ‘can I claim the bonus deduction for’ :

- A Xero or MYOB annual subscription?
- Prepayment of subscriptions?
- Integrating customer relationship management and accounting software?
- Electrical or structural work to support the installation of electronic equipment?
- A scanner?
- Obtaining advice about improving the business’ defences against cyber security? Note in this regard that, with so many employees now working from home, some employers are paying for cyber security software enhancements to *employee* home systems.
- A business which expends funds to integrate suppliers and for customers into the digital platform operated by the business.
- IT consultation services to fix a fault in the IT system?

The draft explanatory materials would benefit from having a greater number of examples included.

“Wholly or substantially” – How to document this?

The Budget papers indicated that the ATO would be allocated \$7.2 million in relation to this measure. It is likely that some of this amount will be allocated by the ATO to audits and there will likely be a focus by ATO officials on whether the taxpayer has satisfied the “wholly or substantially” requirement in the draft law.

Section 328-460(1)(d) and (2)(d) requires that the purpose of the expenditure be wholly or substantially for *your* digital operations or digitalising *your* operations. This raises the issue of how this purpose can be documented. Will a digitalisation plan (albeit a brief one) be required?

² Page 27 of https://budget.gov.au/2022-23/content/bp2/download/bp2_2022-23.pdf

The draft explanatory materials would benefit from some discussion of this issue. Alternatively, the ATO should be asked to prepare a Law Companion Ruling on this measure.

Should you have any queries please contact Susan Franks on 0401 977 342 or susan.franks@charteredaccountantsanz.com

Yours sincerely



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