ausTALK

SPECIAL BUDGET EDITION – KEY FACTS

TAX NEWS, VIEWS & CLUES FROM AUSWILD & CO
PO Box 527 Kogarah NSW 1485
Chartered Accountants and Business Consultants

Website: www.auswild.com.au
Telephone: (02) 9588 0100
Facsimile: (02) 9588 7865

PERSONAL TAXATION

Personal tax rates unchanged for 2022–2023

The Budget did not announce any changes to the Stage 3 personal income tax changes, which are set to commence from 1 July 2024, as previously legislated. From 1 July 2024, there will only be three personal income tax rates: 19%, 30% and 45%. Taxpayers earning between $45,000 and $200,000 will face a marginal tax rate of 30%.

Low-income offsets:

Low and middle income tax offset (not extended)

The low and middle income tax offset (LMITO) has now ceased and been fully replaced by the low income tax offset (LITO). As a result, low-to-middle income earners may see their tax refunds from July 2023 reduced by between $675 and $1,500 (for incomes up to $90,000 but phasing out up to $126,000), all other things being equal.

Low income tax offset (unchanged)

No changes were made to the LITO in the 2022–2023 October Budget. The LITO will continue to apply for the 2022–2023 income year and beyond. The maximum amount of the LITO is $700. The LITO is withdrawn at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000 and then at a rate of 1.5 cents per dollar between taxable incomes of $45,000 and $66,667.

Paid parental leave to be expanded

From 1 July 2024, the Government will start expanding the paid parental leave (PPL) scheme by two additional weeks a year until it reaches a full 26 weeks from 1 July 2026. Both parents will be able to share the leave entitlement, with a proportion maintained on a "use it or lose it" basis, to encourage and facilitate both parents to access the scheme and to share the caring responsibilities more equally. Sole parents will be able to access the full 26 weeks.

Increased Child Care Subsidy rate for household income up to $530,000

The Government will provide $4.7 billion over four years from 2022–2023 (and $1.7 billion per year ongoing) to deliver cheaper childcare and reduce barriers to workforce participation.

TAX COMPLIANCE AND INTEGRITY

Increased funding for ATO compliance programs

The Government will increase funding for the ATO in the following areas.

Personal Income Taxation Compliance Program

The Government will provide $80.3 million to the ATO to extend the Personal Income Taxation Compliance Program for two years from 1 July 2023. This will focus on key areas of non-compliance, including overclaiming of deductions and incorrect reporting of income (which was the subject of a recent key address by the Second Commissioner).

Shadow Economy Program

The Government will extend the existing ATO Shadow Economy Program for a further three years from 1 July 2023 (read "cash payments").

Tax Avoidance Taskforce

The Government has boosted funding for the ATO Tax Avoidance Taskforce by around $200 million per year over four years from 1 July 2022, in addition to extending this Taskforce for a further year from 1 July 2025.

The boosting and extension of the Tax Avoidance Taskforce will support the ATO to pursue new priority areas of observed business tax risks, complementing the ongoing focus on multinational enterprises and large public and private businesses.

Modernising Business Registers Program

In a slightly different category, the Government will provide additional ATO and ASIC funding of $166.2 million over four years from 2022–2023 to continue delivery of the Modernising Business Registers program that will consolidate more than 30 business registers onto a modernised registry platform.

Digital currencies not foreign currency

The Budget Papers confirm that the Government is to introduce legislation to clarify that digital currencies (such as Bitcoin) continue to be excluded from the Australian income tax treatment of foreign currency. The measure has already been released in draft legislation.

By way of background and as a reminder, this will maintain the current tax treatment of digital currencies, including the CGT treatment where they are held as an investment.

This measure removes uncertainty following the decision of the Government of El Salvador to adopt Bitcoin as legal tender and will be backdated to income years that include 1 July 2021.

The exclusion does not apply to digital currencies issued by, or under the authority of, a government agency, which will continue to be taxed as foreign currency.

SUPERANNUATION

SMSF residency changes delayed

The Government confirmed that the changes to the SMSF residency rules, previously announced in the 2021–2022 Budget to commence from 1 July 2022, will now start from the income year commencing on or after the date of assent of the enabling legislation (yet to be introduced).

These measures propose to relax the SMSF residency rules by extending the central management and control test safe harbour from two to five years, and removing the active member test for both SMSFs and small APRA funds.

Until this 2021–2022 Budget measure is enacted, SMSF trustees need to ensure that they satisfy the current requirements. Even if the central management and control safe harbour is extended to five years from the date of assent, an SMSF trustee still needs to establish (before they leave) that their planned absence from Australia will be "temporary".

Three-year cycle for SMSF audits will not proceed

The Government will not proceed with the former government's proposal to change the annual audit requirement for certain SMSFs to allow a three-yearly cycle for funds with a history of good record-keeping and compliance.

Standardised disclosure for retirement income products

The Government also announced that it will not proceed with the proposal to report standardised metrics in product disclosure statements (PDS) for retirement income products.

Super downsizer contributions eligibility age reduction to 55 confirmed

The Government confirmed its election commitment to lower the minimum eligibility age for making superannuation downsizer contributions to age 55 (down from age 60).

The reduction in the eligibility age will allow individuals aged 55 or over to make an additional non-concessional contribution of up to $300,000 from the proceeds of selling their main residence outside of the existing contribution caps. Either the individual or their spouse must have owned the home for 10 years. The entire contribution must come from the capital proceeds of the sale price. A downsizer contribution must also be made within 90 days after the home changes ownership (generally the date of settlement).

Assets test exemption for two years; deeming rates frozen

The Government also confirmed its election commitments to assist pensioners looking to downsize their homes, by extending the social security assets test exemption for principal home sale proceeds from 12 months to 24 months; and changing the income test to apply only the lower deeming rate (0.25%) to principal home sale proceeds when calculating deemed income for 24 months after the sale of the principal home.

HOUSING MEASURES

Regional First Home Buyers Guarantee Scheme; Housing Australia Future Fund

The Government has announced that it will establish a Regional First Home Buyers Guarantee. Its aim will be to encourage home ownership in regional locations.

It will apply to eligible citizens and permanent residents who have lived in a regional location for more than 12 months to purchase their first home in that location with a minimum 5% deposit.

In other measures, the Government will invest $10 billion in the newly created Housing Australia Future Fund, to be managed by the Future Fund Management Agency. Its aim will be to generate returns to fund the delivery of 30,000 social and affordable homes over five years and allocate $330 million for acute housing needs.

The Government will also "broaden the remit" of the National Housing Infrastructure Facility to directly support new social and affordable housing in addition to financing critical housing infrastructure.

New Housing Accord: $350 million in Government funding

The Government announced that it has struck a new national Housing Accord between state and territory governments, investors and other key stakeholders. This Housing Accord sets an initial, aspirational target of 1 million new homes over five years from 2024.

Under the Accord, the Government will commit $350 million over five years to deliver 10,000 affordable dwellings at an energy efficiency rating of seven stars or greater (or a state or territory's minimum standard). This commitment is in addition to the 30,000 new social and affordable dwellings delivered through the Housing Australia Future Fund. The states and territories will also build on this commitment by providing in-kind or financial contributions that enable delivery of up to an additional 20,000 homes in total.