

2022 Budget II

The "bread and butter" Budget

National online briefing and discussion

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Numbers overview

- 2022-23 deficit of \$36.9 billion
 - 1.5% of GDP
 - \$44 billion for 2023-24
- Peak net debt of 31.9% of GDP
- Unemployment forecast: 4.3%
- Inflation forecast:
 - 7.75% peak
 - 5.75% for 2022-23
 - 3.50% for 2023-24
- Negative real wages growth until 2024

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Policy/administration overview

- Stage 3 income tax changes remain
- FBT and electric cars
- Multinational tax integrity
- ATO compliance programs
- ABUMs

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Initial thoughts

- Re-affirmation of earlier commitments
- Re-set some spending priorities
- Improved numbers due to higher commodity prices (ie. company tax) and income tax
- No major tax or economic reforms
- Hopefully, reform agenda for May 2023 Budget

Personal taxation



Stage 3 tax rate changes

■ 1 July 2024

Tax rates and thresholds for 2022-23 (unchanged from 2021-22)	
Taxable income (\$)	Tax payable (\$)
0 - 18,200	Nil
18,201 - 45,000	Nil + 19% of excess over 18,200
45,001 - 120,000	5,092 + 32.5% of excess over 45,000
120,001 - 180,000	29,467 + 37% of excess over 120,000
180,001+	51,667 + 45% of excess over 180,000

Tax rates and thresholds from 2024-25 onwards (as legislated)	
Taxable income (\$)	Tax payable (\$)
0 - 18,200	Nil
18,201 - 45,000	Nil + 19% of excess over 18,200
45,001 - 200,000	5,092 + 30% of excess over 45,000
200,001+	51,592 + 45% of excess over 200,000

- Excludes 2% Medicare levy

Low-and-Middle-Income tax offset

- 2021-22 last year
- Low-income tax offset

Low-income tax offset for 2022-23 and beyond (unchanged)	
Taxable income (\$)	Amount of tax offset
\$0 - \$37,500	\$700
\$37,501 - \$45,000	$\$700 - ([TI - \$37,500] \times 5\%)$
\$45,001 - \$66,667	$\$325 - ([TI - \$45,000] \times 1.5\%)$
\$66,668 +	Nil

Business taxation



Small business owners' wellbeing

- \$15.1 million for mental health support
 - NewAccess for Small Business Owners
 - Small Business Debt Helpline

Intangible depreciating assets

- Effective life set by law
- 2021-22 Budget:
 - Self-assess effective life
- Government will not proceed with change

COVID-19 business grants

- Additional grants to be non-assessable, non-exempt income
 - Victoria
 - ACT

Electric cars

FBT exempt

- Battery, hydrogen fuel cell, plug-in hybrid
- 1 July 2022
- Cost <luxury car tax threshold for fuel-efficient cars
 - \$84,916 (incl GST) for 2022-23
- Passed HoR, before Senate
- Review after three years

Superannuation



Downsizer contributions

- \$300,000 (\$600,000 for a couple)
- Sale of main residence
- Owned for 10 years
- Excluded from normal contribution caps
- Currently, must be 60+
 - Reduce to 55+
- Before Parliament

International

Multinational tax integrity

SGEs

- Payments to related o/s parties
- Intangible assets
- Low- or no-tax jurisdictions
 - Tax rate <15%; or
 - Tax preferential patent box regime without sufficient economic substance
- Deduction denied from 1 July 2023

Multinational tax integrity

SGEs

- Transparency
- For public release:
 - CbC tax information
 - No. subsidiaries, country of tax domicile
 - Tenderers for govt contracts >\$200,000, ultimate head entity's tax domicile
- From 1 July 2023

Thin capitalisation

Change from 1 July 2023

- Groups with cross-border ownership
- If don't pass one of three tests:
 - Limits interest deductions
- Tests:
 - Safe harbour
 - Debt/equity ratio of 1.5:1
 - Arm's length debt test
 - Worldwide gearing test

Thin capitalisation

Change from 1 July 2023

- Shift from balance sheet to income basis
- Safe harbour test replaced with:
 - Debt-related deductions limited to 30% of EBITDA
 - Denied deductions c/fwd 15 years, deduct if space under limit
- Worldwide gearing test replaced with:
 - Earning-based group debt deduction ratio
- Modified arm's length debt test

Other issues

Digital currencies

- Legislation to confirm not treated as foreign currency
 - Unless issued/authorised by a government
- If investment, capital gains tax rules
- If profit-making or carrying on business, ordinary income
- Board of Taxation review in progress

ATO compliance programs

- Extend targeting non-compliance
- Personal income tax
 - Mainly WRE, rentals
- Businesses in shadow economy
- Tax avoidance by multinationals, large public and private groups
- Tax audit insurance

Penalty unit

- Increase from \$222 to \$275
- 1 January 2023

Off-market share buy-backs

Change from 25 October

- Dividend component
 - Frankable
 - Refundable
- Popular with superannuation fund shareholders
- Align with on-market share buy-backs
 - No dividend component, all sale proceeds

Announced but unenacted measures

- Several not proceed with
- Includes:
 - Debt/equity rule amendments
 - Changes to annual audit requirements for certain SMSFs
 - \$10,000 limit for cash payments to businesses

Announced but unenacted measures

- Deferred start date for some
- Includes:
 - Relaxation of SMSF residency requirements
 - Income year starting after Royal Assent
 - Share economy platform provider reporting
 - Ride-sharing, short-term accommodation: 1 July 2023
 - Asset sharing, food delivery, etc: 1 July 2024

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Wrap up

- Delivering on prior commitments
- Economic challenges acknowledged
- No reforms
- “Difficult decisions” ahead to rein in structural deficit
- Look to May 2023

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