



Bramelle
PARTNERS

FEDERAL BUDGET 2022-23

THE ALBANESE
GOVERNMENT'S
FIRST BUDGET

The Federal election on 21 May 2022 ushered in a Labor Government promising a better future. Disdaining the ‘all announcement, no delivery’ style of government, which was so characteristic of Scott Morrison’s government, Mr Albanese promised that if he won the election: ‘the work of building that better future will start the very next day.’

The promised better future included 154 commitments including:

“
Legislation will be introduced to clarify that digital currencies – such as Bitcoin – will continue to be excluded from the Australian income tax treatment of foreign currency.
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| Medicare, medicines and NDIS | Making it easier to see a doctor, cutting the cost of medicines and improving access to the NDIS |
| Jobs and skills Australia – investing in the skills of our people | Identifying skills gaps and then connecting a fee-free TAFE and training with good jobs and growing businesses |
| Cheaper childcare | Making it easier for working families to get ahead |
| A National Reconstruction Fund | Working with business to invest in manufacturing and renewables to make things in Australia again |
| A Powering Australia plan | Seizing the opportunities of climate action to create jobs and boost industry |

The cost of such commitments is estimated at \$40.1 billion over the four years to 2025–26. Another key election pledge was to get real wages growing after decades of stagnation.

While he was opposition leader, Mr Albanese spoke of his determination, if successful in the election, to restore a greater sense of responsibility to the Office of Prime Minister, promising accountability and delivery.

The tradition of treating election promises as sacrosanct has been flouted numerous times, and election promises have been broken many times before and after Paul Keating's famous L-A-W promise. John Howard's, 'No, there's no way that a GST will ever be a part of our policy,' was followed by Julia Gillard's, 'there will be no carbon tax under the government I lead,' and then Tony Abbott's, 'there will be no new taxes,' before he introduced the Budget Deficit Levy.

Moreover, most politicians vying for the top position routinely promise responsible government and a budget that is back in surplus. Budget surpluses have been elusive since 2007–08. Some politicians survive the electorate's displeasure over broken promises, others do not.

Mr Albanese promised: 'I will lead a government that keeps its promises. I will be determined to bring the country together rather than divide it.'

Based on what has already been revealed in the news, this Labor Government's first budget is expected to be a responsible, solid, sensible family-friendly Budget helped by the unexpected higher government 'windfall' receipts resulting from higher commodity prices and producers' profits. As in the past, wars and disasters in other countries, which affect global supplies of commodities and natural resources, have worked in Australia's favour, but Australia will also be affected by the impending global recession that many economists are predicting.

As always, we're here if you need us!

Bradley Seeto

Director

Bramelle Partners

General updates

Clarifying that digital currencies are not taxed as foreign currency

Legislation will be introduced to clarify that digital currencies — such as Bitcoin — will continue to be excluded from the Australian income tax treatment of foreign currency.

Certainty on unlegislated tax and superannuation measures

The Government reviewed legacy tax and superannuation measures that were announced but not legislated by their predecessors. The following eight measures will not proceed:

| Previously announced proposal | Date announced |
|---|---|
| Amendments to the debt/equity rules 2013-14 MYEFO on 14 December 2013 | Amendments to the debt/equity rules 2013-14 MYEFO on 14 December 2013 |
| Changes to the Taxation of Financial Arrangements (TOFA) rules — the 2018-19 Budget provided for a delayed start date | 2016-17 Budget handed down on 3 May 2016 |
| Changes to the taxation of asset-backed financing arrangements | |
| Introduction of a new tax and regulatory framework for limited | |
| Changes to the annual audit requirement for certain self-managed superannuation funds (SMSFs) | 2018-19 Budget handed down on 8 May 2018 |
| Introduction of a limit of \$10,000 for cash payments made to businesses for goods and services — a delayed start date was announced in the 2018-19 MYEFO | |
| Introduction of a requirement for retirement income product providers to report standardised metrics in product disclosure statements | |
| Establishment of a deductible gift recipient category for providers of pastoral care and analogous wellbeing services in schools | |
| | 2021-22 MYEFO on 8 December 2021 |

The start dates for the following measures will be deferred to allow sufficient time for policies to be legislated and implemented:

| Previously announced proposal | Original Start Date | New Start Date |
|---|---------------------------------------|--|
| <p>Introduction of a sharing economy reporting regime for:</p> <ul style="list-style-type: none"> › Transactions relating to the supply of ride sourcing and short-term accommodation › All other reportable transactions (including but not limited to: asset sharing, food delivery and tasking-based services) | <p>1 July 2022</p> <p>1 July 2023</p> | <p>1 July 2023</p> <p>1 July 2024</p> |
| <p>Proposals announced in the 2021-22 Budget:</p> <ul style="list-style-type: none"> › Proposed relaxing of residency requirements for SMSFs › Technical amendments to the TOFA rules | <p>1 July 2022</p> <p>1 July 2022</p> | <p>Income year commencing on or after the date of Royal Assent of enabling legislation</p> |

Deductions

Not proceeding: self-assessing effective life of intangible depreciating assets

The Government announced that it will not proceed with the proposed measure to allow taxpayers to self-assess the effective life of intangible depreciating assets.

Businesses

Making COVID-19 business grants NANE income

Labor announced that it has made a further 13 State and Territory COVID-19 grant programs eligible for non-assessable non-exempt (NANE) treatment, which will exempt eligible businesses from paying tax on these grants.

This treatment will apply to the following grants:

Victoria:

- › Business Costs Assistance Program Four – Construction
- › Licenced Hospitality Venue Fund 2021 – July Extension
- › License, Hospitality Venue Fund 2021 – Top Up Payments
- › Business Costs Assistance Program Round Two – Top Up
- › Business Costs Assistance Program Round Three
- › Business Costs Assistance Program Round Four
- › Business Costs Assistance Program Round Five
- › Impacted Public Events Support Program Round Two
- › Live Performance Support Program (Presenters) Round Two
- › Live Performance Support Program (Suppliers) Round Two
- › Commercial Landlord Hardship Fund 3

Australian Capital Territory:

- › HOMEFRONT 3
- › Small Business Hardship Scheme

“The Government announced it will exempt battery, hydrogen fuel cell and plug-in hybrid electric cars from FBT and import tariffs...”

Small business support

The Government announced that it will provide funding for a variety of measures supporting small businesses

Outcomes of the Jobs and Skills Summit

Funding of \$76.4 million will be provided over four years from the 2022-23 income year for outcomes from the Jobs and Skills Summit to help build a bigger, better trained and more productive workforce and boost real wages and living standards, including funding of:

- › The Department of Home Affairs to increase visa processing capacity and raise awareness of opportunities for high-skilled migrants
- › The Australian Public Service Commission to establish an APS Digital Traineeship Program
- › A Productivity, Education and Training Fund to improve safety, fairness and productivity in workplaces
- › The Fair Work Commission to support the update of enterprise bargaining for small businesses
- › The Australian Bureau of Statistics to increase the frequency and detail of data measuring the barriers and incentives to participating in the labour market

- › The development of a Carer Friendly Workplace Framework

Paid family and domestic violence leave – small business assistance

Funding of \$3.4 million will be provided over four years from the 2022-23 income year to support the development and delivery of education, technical advice and support services targeting the needs of small business employers to support the implementation of the Government's election commitment to legislate ten days of paid family and domestic violence leave.

Supporting small business owners

Funding of \$15.1 million over two calendar years from 1 January 2023 until 31 December 2024 will be provided to extend the Small Business Debt Helpline and the NewAccess for Small Business Owners programs to support financial and mental wellbeing.

Companies

Improving the integrity of off-market share buy-backs

The Government announced they will improve the integrity of the tax system by aligning the tax treatment of off-market share buy-backs undertaken by listed public companies with the treatment of onmarket share buy-backs. The Budget Paper does not contain any further detail of the proposed amendments.

Multinational Tax Integrity Package - Amendments to the thin capitalisation rules

Australia's thin capitalisation rules will be amended to replace the safe harbour and worldwide gearing tests with earnings-based tests to limit debt deductions in line with an entity's profits. The changes will apply to multinational entities operating in Australia and any inward or outward investor, in line with the existing thin capitalisation regime. Financial entities will continue to be subject to the existing thin capitalisation rules.

Multinational Tax Integrity Package - Denying deductions for payments relating to intangibles held in low or no tax jurisdictions

An anti-avoidance rule will be introduced to prevent significant global entities (entities with global revenue of at least \$1 billion) from claiming tax deductions for payments made directly or indirectly to related parties in relation to intangibles held in low or no tax jurisdictions.

The Government indicates that a low or no tax jurisdiction for the purposes of this measure is a jurisdiction with:

- › A tax rate of less than 15 per cent, or
- › A tax preferential patent box regime without sufficient economic substance

Multinational Tax Integrity Package - Tax transparency

Reporting requirements will be introduced for relevant companies to enhance the tax information they disclose to the public under the tax transparency measures.

Fringe Benefits Tax

Electric Car Discount

The Government announced it will exempt battery, hydrogen fuel cell and plug-in hybrid electric cars from FBT and import tariffs if the car:

- › Has a first retail price below the luxury car tax threshold for fuel-efficient cars, and
- › Has not been held or used before 1 July 2022

The FBT measure is contained in the Treasury Laws Amendment (Electric Car Discount) Bill 2022 — introduced into Parliament on 27 July 2022 — which proposes to amend the FBTA Act by introducing an electric car discount in the form of an FBT exemption. This means that car fringe benefits provided by employers to employees, comprising the use or availability for use of an eligible car that has zero or low emissions will be exempt from FBT if the relevant requirements are met.

Employers will need to include exempt electric car fringe benefits in an employee's reportable fringe benefits amount.

Superannuation

Expanded eligibility for downsizer contributions

The minimum age will be reduced for making a downsizer contribution. The measure is contained in Schedule 5 to the Treasury Laws Amendment (2022 Measures No. 2) Bill 2022 which was introduced into Parliament on 3 August 2022.

Compliance

Extend ATO Compliance Programs - Personal Income Taxation Compliance Program

The Government announced that it will provide \$80.3 million to the ATO to extend the Personal Income Taxation Compliance Program for two years from 1 July 2023.

The extension is intended to enable the ATO to continue to deliver a combination of proactive, preventative and corrective activities in key areas of non-compliance, including overclaiming of deductions and incorrect reporting of income.

The funding is also intended to enable the ATO to modernise its guidance products, engage earlier with taxpayers and tax agents, and target its compliance activity.

Extend ATO Compliance Programs - Shadow Economy Program

The existing ATO Shadow Economy Program will be extended for a further three years, from 1 July 2023. The extension of the Shadow Economy Program is intended to enable the ATO to:

- › Continue a strong and coordinated response to target shadow economy activity
- › Protect revenue
- › Level the playing field for those businesses that are following the rules

Extend ATO Compliance Programs - Tax Avoidance Taskforce

Funding for the ATO Tax Avoidance Taskforce will be boosted 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 of funding and the extension of the ATO Tax Avoidance Taskforce is intended to support the ATO pursue new

priority areas of observed business tax risks, complementing the ongoing focus on multinational enterprises and large public and private businesses.

Tax Practitioners Board - Compliance program to enhance tax system integrity

The Government announced that it will provide \$30.4 million to the Tax Practitioners Board (TPB) to increase compliance investigations into high-risk tax practitioners and unregistered preparers over four years from 1 July 2023.

The TPB will use new risk engines to better identify tax practitioners who engage in poor and unlawful tax advice, to improve tax compliance and raise industry standards.

Increase in Commonwealth Penalty Unit amount

The amount of the Commonwealth Penalty Unit will be increased from \$222 to \$275.

Penalty Units are used to describe the amount payable for fines under Commonwealth laws, including in relation to communication, financial, tax and fraud offences. Fines are calculated by multiplying the value of one penalty unit by the number of penalty units prescribed for the offence.

This measure ensures that financial penalties for Commonwealth offences continue to remain effective in deterring unlawful behaviour and contributes to budget repair.

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*The Government announced that it will:
Strengthen and empower the Office for Women...*

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Other taxes

Increase in heavy vehicle road user charge

The heavy vehicle road user charge rate will increase, from 26.4 cents per litre to 27.2 cents per litre of diesel fuel. Significantly, the charge reduces the fuel tax credit rate for fuel used in heavy vehicles for travelling on public roads.

Related laws

Australia's foreign investment framework - Increase in fees and penalties

Financial penalties will be increased for breaches that relate to residential land under the Foreign Acquisitions and Takeovers Act 1975 (the FAT Act).

Modernising Business Registers - Increased program funding, director ID sustainment and registry stabilisation

Additional funding of \$166.2 million over four years will be provided to continue delivery of the Modernising Business Registers program. The program will consolidate over 30 business registers onto a modernised registry platform.

The funding includes:

- › \$80 million in 2022-23 for the ATO and ASIC to continue design and

delivery of the modernised registry platform

- › \$86.2 million over four years from 2022-23 for the ATO and ASIC to operate and regulate the Director Identification Numbers regime, and maintain ASIC's registry systems

Women's Budget Statement

The Women's Budget Statement focuses on three priorities:

1. Women's economic security
2. Ending violence against women
3. Gender equality, health and wellbeing

The Government announced that it will:

- › Strengthen and empower the Office for Women
- › Invest \$4.7 billion over four years from 2022-23 to implement its Plan for Cheaper Child Care
- › Invest \$531.6 million over four years from 2022-23 for changes to the Paid Parental Leave scheme
- › Invest \$1.7 billion over six years to end violence against women and children through the implementation of the National Plan to End Violence against Women and Children 2022-2032
- › Direct the returns from an investment of \$1.6 billion in the Housing Australia Future Fund to long-term housing for women and children fleeing domestic and family violence, as well as older women on low incomes at risk of homelessness; and \$100 million for crisis and transitional housing for these groups

- › Introduce a National Strategy to Achieve Gender Equality to guide future actions to achieve the Government's goal of Australia being one of the most gender-equal countries in the world

Plan for Cheaper Child Care

As part of the October 2022-23 Federal Budget, the Government announced that it will deliver cheaper child care, easing the cost of living for families and reducing barriers to greater workforce participation.

The Government will provide \$4.7 billion over four years from 2022-23, and \$1.7 billion per year ongoing.

On 27 September 2022, the Government introduced into Parliament the Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022 which contains proposed legislative amendments to give effect to the proposed changes.

The Government proposes to:

- › Increase the maximum Child Care Subsidy (CCS) rate from 85 per cent to 90 per cent for families for the first child in care
- › Increase the CCS rate for all families earning less than \$530,000 in family income – currently the CCS percentage is 0 per cent if family income is \$356,756 or more
- › Maintain current higher CCS rates – of up to 95 per cent – for families with multiple children aged five or under in child care, with higher CCS rates to cease 26 weeks after the older child's last session of care, or when the child turns 6 years old

- › Task the Australian Competition and Consumer Commission to undertake a 12 month inquiry into the cost of child care and the Productivity Commission to conduct a comprehensive review of the child care sector

- › Improve the transparency of the child care sector by requiring large providers to publicly report CCS-related revenue and profits

The Government will also provide \$43.9 million over four years from 2022-23 for measures that support the National Agreement on Closing the Gap targets and improve early childhood outcomes for First Nations children.

Funding will be provided for:

- › The introduction of a base entitlement to 36 hours per fortnight of subsidised early childhood education and care for families with First Nations children, regardless of activity hours or income level
- › The establishment of the Early Childhood Care and Development Policy Partnership with Coalition of Peaks partners and First Nations representatives to develop policies on First Nations early childhood education and care

Boosting Parental Leave

Reforms will be introduced to the Government funded Paid Parental Leave (PPL) scheme, at a cost of \$531.6 million over four years from 2022-23, and \$619.3 million per year ongoing.



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