Federal Budget 2019-20

TaxBanter

2 April 2019

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Introduction

On 2 April 2019, the Treasurer, Josh Frydenberg, delivered his first Federal Budget. This is also the first Federal Budget of the Morrison Government. It is also a pre-election Budget.

Background

A country stalled, a government on hiatus

This time last year, we thought that the nation had stalled, waiting for the next big thing that would bring the next wave of prosperity to Australia. The mining boom that had carried Australia for the last decade and a half was petering out and the Innovation Agenda, Malcom Turnbull's signature policy that was to kickstart an ideas boom[1] to drive the Australian economy[2], was, like Turnbull, floundering. Then Turnbull himself was deposed in September 2018. There are many theories about the catalyst for this leadership change but the lack of unity in the Coalition and the ensuing inability to provide a policy platform that would persuade electors it was in the best interests of the whole country, rather than a few favoured sectors, meant that a challenge to Turnbull's leadership was inevitable. The timing of the change in leadership, the need to deliver a budget and the requirement to hold an election has created a political dynamic which can only result in the country continuing to be on hold for some months.

What happened to the ideas boom?

It is not just tax that moves business. Some would say that the idea of a nation of innovation and a culture of risk-taking has been stymied by particular non-tax laws[3] that actively hurt the tech sector.[4] The tech sector is particularly furious with the Government for passing the encryption laws in December 2018 without consulting[5] with the tech businesses that are affected. These businesses, including some household names, are saying that the laws will force them to go offshore and will threaten jobs.[6] The laws are of concern to the sector because they deter the offshore market from doing business with Australia and attracting overseas talent to Australia.

1 The innovation agenda was announced on 7 December 2015 with the tag line 'Welcome to the ideas boom'. The innovation policy entailed expenditure of $1.1 billion over four years of which $459 million was allocated to research infrastructure, tax incentives for people investing in the early stages of research commercialisation and for the CSIRO's innovation fund.

2 Michelle Grattan. *'Ideas boom' to drive the Australian economy: Turnbull* in the Conversation, 7 December 2015; see: http://theconversation.com/ideas-boom-to-drive-the-australian-economy-turnbull-51909

3 Encryption laws were passed on 6 December 2018.

4 See the article *From ideas boom to innovation bust: How Australia turned against tech* by Emma Koehn and John McDuling in the Sydney Morning Herald 22 December 2018, which is available here: www.smh.com.au/business/companies/from-ideas-boom-to-innovation-bust-how-australia-turned-against-tech-20181218-p50n1l.html

5 Emma Koehn and John McDuling (see footnote 4) report that a survey by Industry association StartupAus found that that 91 per cent of the 219 founders surveyed were against the encryption laws.

6 Damien Manuel. *Why we need to fix encryption laws the tech sector says threaten Australian jobs* in the Conversation. 29 March 2019. See: https://theconversation.com/why-we-need-to-fix-encryption-laws-the-tech-sector-says-threaten-australian-jobs-110435

The Government has also been tightening access to the Research and Development (R&D) tax incentive. It introduced a Bill[7] to Parliament in September 2018 which proposes to:

- increase the expenditure threshold but link the R&D tax offset for refundable R&D tax offset claimants to their corporate tax rates plus a 13.5 percentage point premium;
- cap the refundability of the R&D tax offset at $4 million per annum; and
- increase the targeting of the R&D tax incentive to larger R&D entities with high levels of R&D intensity.

Of more immediate concern to start-ups and particularly to software-based companies is the ATO's reviews of R&D claims and rejection of self-assessed claims made many years earlier. Prominent software companies are finding that the ATO's guidelines for what constitutes R&D in relation to software development are much stricter since 2017 than they were in the previous years when the Innovation Agenda and the ideas boom were being promoted by the Government.[8, 9]

Malcolm Turnbull's rhetoric about the 'ideas boom' may have raised expectations that do not seem to have been fulfilled. The good ideas have not resulted in notable new successful businesses. The Australian economy has not changed in any significant way.[10] We still rely on importing expertise: there is anecdotal evidence that significant software engineering companies have to import almost half of their senior personnel.[11] Even members of the Government conceded that the vision of an entrepreneurial society did not resonate with ordinary Australians.[12]

[7] The *Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018* was introduced to the House of Representatives and read a first time on 20 September 2018. The Bill has not progressed any further.

[8] See for example the Department of Industry, Innovation and Science's guidelines titled *Software activities and the R&D Tax Incentive* which were released on 2 February 2019 to assist businesses with claiming support for software activities under the R&D Tax Incentive. The guidelines rely on the *Frascati Manual,* an acknowledged global standard for R&D studies, which requires documentation that is not usually used in the 'agile' software development industry.

[9] See the article titled *Airtasker hit by R&D incentive tax crackdown that threatens tech firms* by Paul Smith and Natasha Gillezeau in the Financial Review, 3 December 2018 which is available at: www.afr.com/technology/tech-firms-including-airtasker-hit-by-rd-incentive-crackdown-that-threatens-software-sector-20181129-h18j51

[10] It is expected that innovation would result in new products, processes and markets. The Australian economy is still dominated by agriculture, mining and construction.

[11] Nicholas Davis and Thomas Philbeck quoting Atlassian's Mike Cannon-Brookes in *Fourth Industrial Revolution: Will Australia be the lucky country in tomorrow's economy?* ABC News, 16 November 2017 at: www.abc.net.au/news/2017-11-16/will-australia-be-the-lucky-country-in-tomorrows-economy/9153884

[12] Aaron Patrick *Turnbull 'innovation agenda' was a political failure, government concedes* in the Financial Review 20 September 2017 which is available here: www.afr.com/news/policy/turnbull-innovation-agenda-was-a-political-failure-government-concedes-20170919-gyk617

The rebounding mining boom

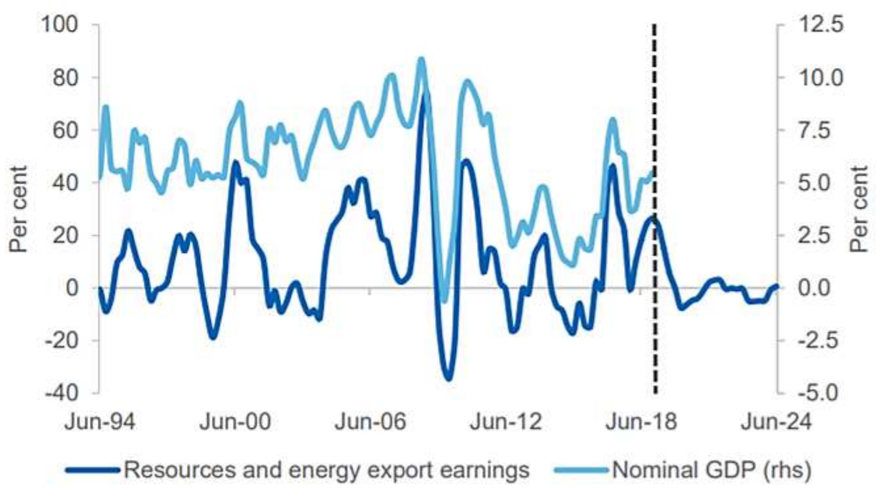
While the Innovation Agenda seems to have failed as a springboard into the fourth industrial revolution, the mining and resources sector has provided the needed growth in GDP. This has been largely a result of the convergence of a number of factors favouring the Australian mining and resources sector — i.e. outages in supply by overseas competitors[13] improved Australia's prospects; the ongoing weakness in the AUD/USD, the rebound in Chinese steel output and the increase in prices of iron ore and other commodities all contributed to increasing exports. We are still benefiting from the production phase of the mining boom that started in 2002–2003. The mining boom has given us rapid growth in production and export volumes and will continue to benefit us for decades to come.[14] 'However, with growth in export volumes expected to taper off by the end of this decade, 2019 might be considered the last year of the production phase of Australia's largest ever mining boom.'[14]

This rebound in mining industry profits has meant that the Government has received revenue of about $8.3 billion more than it had expected in the first half of 2018. As the summary of the Government's Mid-Year Economic and Fiscal Outlook (MYEFO) which follows shows, the Government has forecast a reduction in the deficit of $14.5 billion to $5.2 billion.

The rebounding mining boom not expected to last much longer

The Office of the Chief Economist stated in the March 2018 edition of the *Resources and Energy Quarterly* that '[by] the turn of this decade, however, the ramp up in Australia's exports is expected to have largely run its course, marking the end of an extraordinary era for our resources and energy sector.'[15] The rate of change in our country's fortunes is reflected in the graph below.

Figure 1.6: Australia's nominal GDP vs resource and energy commodity export earnings, annual per cent change



Source: Department of Industry, Innovation and Science (2019), ABS (2019)

Malcolm Turnbull's other signature policy, the reduction of the corporate tax rate from 30 per cent to 25 per cent for all companies was also defeated. This has also contributed to bringing forward a return to a Budget surplus.

13 For example, exports from South America were affected by the collapse of Vale's Brumadinho mine tailings dam in Brazil.

14 Australian Government. Department of Industry, Innovation and Science. Office of the Chief Economist. *Resources and Energy Quarterly* March 2018 at page 11.

15 Australian Government. Department of Industry, Innovation and Science. Office of the Chief Economist. *Resources and Energy Quarterly* March 2018 at page 5.

But the headlines about the slashing of Australia's budget deficit and forecast surpluses[16] do not dispel the sense of gloom that accompanies other headlines about wage stagnation, the drop in household wealth as house prices continue to slump and about the continuing fall in building approvals. The continuing fall in building approvals over the last 14 months and the fall in the value of lending approvals for home alterations and additions to the lowest level since records began in July 2002 are harbingers of tough times ahead.

Private consumption which accounted for 57.2 per cent of Australia's nominal GDP in the March 2018 quarter fell to 55.9 per cent in the June 2018 quarter. Household consumption has been subdued because of low growth in household income. Homeowners are feeling less inclined to spend as their wealth is diminished as a result of the fall in property prices generally.

Luckily the Government has the additional funds — which it attributes to its responsible economic management — to be able to assist 3.9 million Australians with the high cost of their energy bills.[17]

Understanding the jargon

The following terminology which is used in connection with Federal Budget matters is briefly explained to aid understanding.

Term	Explanation
Budget deficit	The last time Australia had a Budget surplus was in 2006. Every year since the GFC, we have had Budget deficits — i.e. the Federal Government has spent more money than it has collected. The Government expects that there will be a Budget surplus of $4.1 billion in 2019–20.[18] Australia also has a structural deficit which means that, all other things being equal, the Government's general level of spending exceeds the general levels of taxation. The solution requires either a change in the Government spending level or a change in the level of taxation.
Government debt	As a result of spending more than it raises by taxation, the Federal Government must borrow. Government gross debt which was about $531 billion at the end of 2017–18 is expected to stay below the $600 billion limit.[19] Interest paid on this debt is about $14.5 billion per year.[20]

16 See for example: Brett Worthington in *Australia's budget deficit slashed, with surplus forecast for next year* which is available here: www.abc.net.au/news/2018-12-17/josh-frydenberg-forecasts-federal-budget-surplus-next-year/10625838

17 See Media Release by Josh Frydenberg titled *One-off energy payment to help 3.9 million Australians with their next energy bill* 31 March 2019 which is available here: http://jaf.ministers.treasury.gov.au/media-release/056-2019/

18 See Table 1: fiscal parameter summary, various indicators in Release of the 2018–19 MYEFO which is available here: www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2018/December/MYEFO

19 Australian Government. MYEFO 2018–19, December 2018, at page 29.

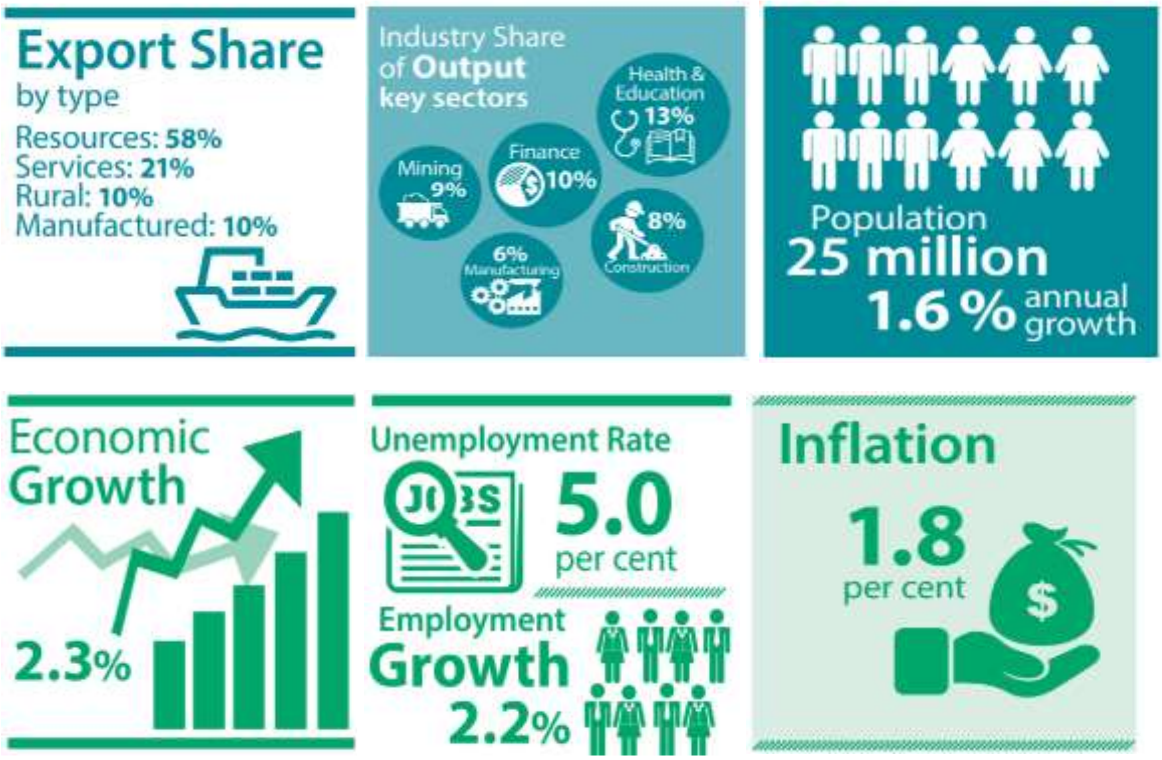
20 Australian Government. MYEFO 2018–19, December 2018, at page 35.

Term	Explanation
Recession	The generally recognised definition of a recession is a decline in GDP for two or more consecutive quarters. Some people refer to this as a 'technical recession' because it is not a year-on-year comparison. Australia is the only OECD country that has experienced uninterrupted growth for 27 years. All 34 OECD member countries have experienced at least one period of two consecutive quarters of negative GDP growth since 1991. Many of these economies experienced two episodes of negative growth during that period — one in 2001 following the collapse of the 'dot.com bubble'; and one during the 2008 global financial crisis (GFC).[21]

Some facts about the Australian economy

The Reserve Bank of Australia released the following monochromatic snapshots of the Australian economy on 7 March 2019:

Snapshots of the Australian economy from the Reserve Bank of Australia[22]



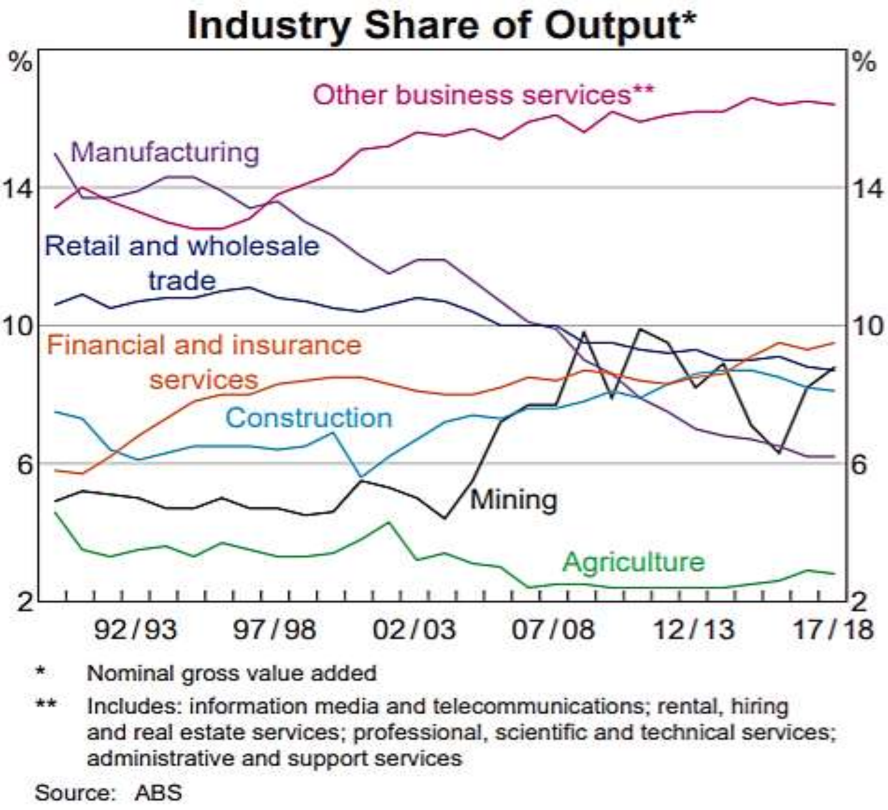
Source: Reserve Bank of Australia

[21] Australian Government. Australian Trade and Investment Commission. *Australia holds world record for longest period of growth among developed economies* which is available here: www.austrade.gov.au/international/invest/investor-updates/2018/australia-holds-world-record-for-longest-period-of-growth-among-developed-economies

[22] Reserve Bank of Australia. Snapshots: Economic Indicators and Composition of the Australia Economy. 7 March 2019 which is available here: www.rba.gov.au/snapshots/economy-composition-snapshot/ and www.rba.gov.au/snapshots/economy-indicators-snapshot/

The Reserve Bank has also provided a graph showing the trends in the industry sectors that contribute the most to output of the economy.

Industry share of output — key sectors



Australia has been recession free for some 27 years.

The former Governor of the Reserve Bank of Australia, Ian Macfarlane described it as follows:

> 'The last recession started in the September quarter of 1990 and lasted until the September quarter of 1991. During the recession, GDP fell by 1.7 per cent, employment by 3.4 per cent and the unemployment rate rose to 10.8 per cent. Like all recessions, it was a period of disruption and economic distress. It was particularly deep in Victoria, where a disproportionate share of the financial failure occurred. Victorian employment fell by more than 8% compared with a fall of 2% for the rest of Australia.'[23]

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[23] Ian Macfarlane, Reserve Bank Governor. Transcript of the Boyer Lectures for 2006: *Lecture 4: The recession of 1990 and its Legacy*, 3 December 2006, which is available here:

www.abc.net.au/radionational/programs/boyerlectures/lecture-4-the-recession-of-1990-and-its-legacy/3353124#transcript

Even the most optimistic observers of the Australian economy concede that the Australian economy cannot avoid recession indefinitely — it is just a question of when it happens. Professor Richard Holden of the University of NSW Business School says that, based on GDP per capita shrinking over the third and fourth quarters in 2018[24], Australia is now in an effective recession.[25] Immigration is fuelling consumption and Australia's economic growth would be going backwards without migrants.[26]

The MYEFO updates

The Mid-Year Economic and Fiscal Outlook (MYEFO) 2018–19, which updates the economic and fiscal outlook from the previous Budget, was released on 17 December 2018. It takes into account the decisions made since the release of the Budget, and therefore revises the Budget aggregates. It stated that:

- the underlying cash balance is expected to improve from a deficit of $5.2 billion (0.3 per cent of GDP) in 2018–19[27] to a surplus of $4.1 billion (0.2 per cent of GDP) in 2019–20;
- over the four years from 2018–19, the cumulative underlying cash surplus is expected to be $30.4 billion[28];
- expected total receipts have been revised up by $8.3 billion in 2018–19 and $12.4 billion over the four years to 2021–22 reflecting:
  - stronger-than-expected collections from individuals taxes and company tax;
  - stronger employment growth projections; and
  - higher growth in corporate profits in 2018–19, particularly mining company profits;
- tax receipts are projected to remain below the Government's tax-to-GDP cap of 23.9 per cent until 2025–26, when the cap takes effect;
- net debt as a share of GDP is expected to decline in each year of the forward estimates and medium term, falling from 18.2 per cent in 2018–19 to 1.5 per cent in 2028–29.

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[24] UNSW Sydney. Julian Lorkin in *Australia in recession on GDP-per-capita basis*, as 2019 federal budget nears which is available here: https://newsroom.unsw.edu.au/news/business-law/australia-recession-gdp-capita-basis-2019-federal-budget-nears. This per capita recession last occurred 13 years ago.

[25] There is no official definition of *recession,* but it is generally accepted that a country is in recession when it has two consecutive quarters of decline in its real adjusted-for-inflation GDP (i.e. the value of goods and services that it produces). Other indicators of activity such as employment, production and real income are also relevant. Often a recession starts months before we realise it or measure it and it is easier to recognise with hindsight.

[26] Eryk Bagshaw and Shane Wright in *Australia falls into per-capita recession as growth tumbles*, Sydney Morning Herald 6 March 2019 which is available at: www.smh.com.au/business/the-economy/australia-falls-into-per-capita-recession-as-growth-tumbles-20190306-p5122r.html

[27] The forecast deficit at the 2018–19 Federal Budget was $14.5 billion (0.8 per cent of GDP).

[28] This is nearly double the 2018–19 Federal Budget estimate.

Key income tax measures

The more significant key tax policy decisions which have been made since the 2018–19 Federal Budget include the following:

Tax reform	Details
Company tax — not proceeding with tax reductions for large companies No further action	The *Treasury Laws Amendment (Enterprise Tax Plan No. 2) Bill 2017* — which proposed to extend the corporate tax cuts to companies with an aggregated turnover of $50 million or more from 1 July 2019 — was defeated in the Senate on 22 August 2018, and the Government will not proceed with this policy.[29] This modifies the Government *Ten Year Enterprise Tax Plan – reducing the company tax rate to 25 per cent* which was announced as part of 2016–17 Federal Budget resulting in a gain to the revenue of $2.1 billion over the forward estimates period.
Small Business Package — lower taxes for small and medium businesses Completed	The Government has accelerated the previously legislated[30] reduction of the corporate tax rate for corporate tax entities that are base rate entities.[31] The reduction in the tax rate from 27.5 per cent to 25 per cent was to be phased in over a 10-year period from 2016–17 to 2026–27 for eligible companies with aggregated turnover below $50 million.[32] The *Treasury Laws Amendment (Lower Taxes for Small and Medium Businesses) Act 2018*[33] has amended the earlier Act to provide that the current rate of 27.5 per cent will be reduced to 26 per cent in 2020–21 and to 25 per cent from 2021–22. The phasing in of the 16 per cent tax discount for unincorporated businesses has been similarly accelerated.
Small business CGT concessions Completed	The Government has revised the start date of the changes to the small business CGT concessions in relation to capital gains on disposal of shares in companies or interests in trusts: the measures apply to CGT events which happen on or after **8 February 2018**[34] (and not 1 July 2017 as originally announced.[35]

[29] See the joint media release of 22 August 2018.

[30] The *Treasury Laws Amendment (Enterprise Tax Plan) Act 2017* which received Royal Assent on 19 May 2017 as Act No. 41 of 2017.

[31] Defined in s. 23AA of the *ITR Act*. The concept of a BRE was introduced in the *ETP* Act, and the definition was subsequently amended by the *Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Act 2018*, which received Royal Assent on 31 August 2018 as Act No. 94 of 2018.

[32] See s. 23 of the *ITR Act*.

[33] Which received Royal Assent on 25 October 2018, as Act No. 134 of 2018

[34] Being the date on which the Exposure draft legislation was released.

[35] The *Treasury Laws Amendment (Tax Integrity and Other Measures) Act 2018,* which received Royal Assent on 3 October 2018, was amended in the Senate to introduce the later start date.

Tax reform	Details
Managed Investment Trusts — applying a 30 per cent withholding rate on residential and agricultural property Pending	It is proposed that, following consultation[36], the rules for foreigners accessing the concessional 15 per cent Managed Investment Trust (MIT) withholding tax rate will be refined to ensure that: ▪ foreigners can no longer access the concessional 15 per cent MIT withholding tax rate in relation to the residential and agricultural property sectors; ▪ a final 30 per cent withholding tax rate applies to income and capital gains from agricultural and residential property (other than certain affordable and disability housing) held in a MIT from 1 July 2019.
Managed Investment Trusts — removing the CGT discount at the trust level for MITs and AMITs Pending	The start date for the measure removing the CGT discount at the trust level for MITs will be revised from 1 July 2019 to 1 July 2020.[37] MITs and AMITs that derive a capital gain will be able to continue to distribute this income as a capital gain that can be discounted in the hands of the beneficiary, but it will prevent beneficiaries that are not entitled to the CGT discount in their own right from getting a benefit from the CGT discount being applied at the trust level.
Improving the operation of the OECD hybrid mismatch measures	Following consultation on draft legislation, the Government made a number of minor amendments to the OECD hybrid mismatch measures, as previously announced in the 2016–17 and 2017–18 Federal Budgets.[38] Completed
Petroleum Resource Rent Tax — changing the PRRT settings to get a fair return Pending	▪ The uplift rates for carried forward PRRT deductible expenditure will be reduced and onshore projects will be removed from the PRRT with effect from 1 July 2019[39]; and ▪ Some technical changes will be made to improve PRRT compliance and administration with effect from 1 July 2019 — e.g. taxpayers will have to start lodging annual returns as soon as they hold an interest in an exploration permit, retention lease or production licence, rather than when a project first earns receipts.[40]

[36] In the 2017–18 Federal Budget, the Government announced that it would amend the tax law to enable MITs to invest in affordable housing. In the 2018–19 Federal Budget, the Government announced that it would amend the law to address tax integrity risks posed by the fact that foreign investors can pay tax at the MIT rate of 15 per cent (or less) — rather than 30 per cent — on Australian business income derived through stapled structures. On 26 July 2018, the Government released for consultation exposure draft legislation titled *Treasury Laws Amendment (Making Sure Foreign Investors Pay Their Fair Share of Tax and Other Measures) Bill 2018.*

[37] This measure was announced as part of the 2018–19 Federal Budget and was to apply from 1 July 2019.

[38] The *Treasury Laws Amendment (Tax Integrity and Other Measures No. 2) Act 2018* received Royal Assent on 24 August 2018 as Act No. 84 of 2018.

[39] Further information can be found in the media release of 2 November 2018 issued by the Treasurer. The Government released Exposure Draft legislation on 14 December 2018.

[40] This measure forms part of a package responding to the Callaghan PRRT Review and addresses deficiencies in PRRT settings identified by the Review.

Other tax measures

Other tax-related announcements included the following:

- the Government will align the age below which individuals can receive genuine redundancy and early retirement scheme payments — and hence access the tax concession for the tax-free component — with the Age pension qualifying age from 1 July 2019;
- the Government will provide additional funding to the ATO to:
  - (i) extend its range of GST compliance activities;
  - (ii) allow the ATO to undertake compliance activities using reported data relating to Government grants and payments and merchant credit and debit cards; and
  - (iii) extend the Serious Financial Crime Taskforce;
- the list of information exchange countries[41] for the purposes of s. 12-385(4) of Schedule 1 to the *TAA* will be updated to add 54 jurisdictions[42] from 1 January 2019[43];
- the start date for the 2017–18 MYEFO measure *Deductible Gift Recipient Reform — strengthening governance and integrity and reducing complexity* will be revised from 1 July 2019 to 1 July 2020;
- the start date for the 2018–19 Federal Budget measure *Black Economy Package — introduction of an economy-wide cash payment limit* will be revised from 1 July 2019 to 1 January 2020;
- the Government will not proceed with the unlegislated 2015–16 MYEFO measure *National Innovation and Science Agenda — intangible asset depreciation*, which was scheduled to apply to assets acquired from 1 July 2016;
- the Government will amend the 2016–17 MYEFO measure *Tax integrity — improve the transparency of taxation debts* to increase the threshold of business tax debts that can be disclosed to credit reporting bureaus from $10,000 to $100,000; and
- the Government will allow victims of certain crimes, such as serious violent crimes, with unpaid or partially paid compensation orders to access their perpetrator's superannuation.[44]

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41 Under the MIT withholding regime, non-resident investors are generally subject to a final withholding tax at a reduced rate of 15 per cent — instead of the default rate of 30 per cent — on payments from the MIT, provided they are a resident of a country with which Australia has an exchange of information (EOI) agreement.

42 Gabon and El Salvador did not complete the necessary legal arrangements, so will not be included.

43 The *Taxation Administration Amendment (Updating the List of Exchange of Information Countries) Regulations 2018* were registered on 23 November 2018.

44 On 28 May 2018, the then Minister for Revenue and Financial Services, Kelly O'Dwyer MP, released for consultation a paper titled *Review of superannuation and victims of crime compensation* (the Consultation Paper).

Key superannuation measures

Key superannuation policy decisions which have been taken since the Budget include the following:

Policy decision	Details
Integrity of limited recourse borrowing arrangements Pending	The 2017–18 Federal Budget integrity measure requiring outstanding balances of limited recourse borrowing arrangements (LRBAs) to be included in a member's total superannuation balance from 1 July 2017 will be modified to apply only to: ▪ LRBAs entered into from **1 July 2018**; and ▪ members who are able to make tax-free, lump-sum withdrawals or whose SMSF has an LRBA with a related party.[45]
Superannuation guarantee amnesty ?	The Government will: ▪ provide a 12-month amnesty from 24 May 2018 for employers who voluntarily repay historical superannuation guarantee (SG) shortfalls to their employees; and ▪ increase the minimum penalty from 50 per cent to 100 per cent of the SG charge for employers who could have come forward under the SG amnesty but did not, and are subsequently caught.[46]
Simplifying the work test exemption for recent retirees[47] Pending	The Government will amend the 2018–19 Federal Budget measure to allow people to use the work test exemption to access up to three years' non-concessional cap space in the year they turn 65, with effect from 1 July 2019.

Achievements in the last 12 months

The more significant achievements include enacting the following measures, some of which were announced in the 2017–18 Federal Budget:

1. The Government's Personal Income Tax Plan passed into law on 2 June 2018. It amended the Tax Acts to:
    - introduce a temporary Low and Middle Income Tax Offset, in addition to the existing Low Income Tax Offset (LITO), for the 2018–19 to 2021–22 income years and replace the Low and Middle Income Tax Offset and the LITO with a new LITO for the 2022–23 and later income years; and
    - change the personal income tax thresholds and rates of tax applicable to them from the 2018–19, 2022–23 and 2024–25 income years.

[45] See Schedule 4 to the *Treasury Laws Amendment (2018 Superannuation Measures No. 1) Bill 2018* which was introduced into Parliament on 24 May 2018.

[46] See Schedule 1 to the *Treasury Laws Amendment (2018 Superannuation Measures No. 1) Bill 2018* which was introduced into Parliament on 24 May 2018.

[47] On 2 October 2018, the Government released exposure draft legislation titled *Treasury Laws Amendment (Measures for a later sitting) Bill 2018: Work test exemption for recent retirees.* Note that this draft legislation proposed a one-year exemption.

2. The measures to improve the integrity of the small business CGT concessions — announced as part of the 2017–18 Federal Budget — were finally enacted on 3 October 2018.[48] The application of the complex measures was deferred to apply to CGT events happening **on or after 8 February 2018.** The enabling legislation also included integrity measures to prevent the use of interposed Australian resident trusts and partnerships in multinational corporate structures as a means of avoiding the application of the Multinational Anti-Avoidance Law (MAAL) — **from 1 January 2016.**

3. Legislation implementing the Black Economy Taskforce measures removing the tax deductibility of non-compliant payments and expanding the taxable reporting payments reporting system to three new industries, namely road freight; information technology; and security, investigation or surveillance was enacted on 29 November 2018.

4. The Single Touch Payroll (STP) reporting requirements were broadened to include all employers by 1 July 2019; and reporting of salary sacrificed amounts. The same Act also, among other things:

   (a) removed the requirement to report the payment of superannuation guarantee (SG) contributions under STP;

   (b) empowers the Commissioner to issue directions and penalties to employers failing to comply with their obligations;

   (c) allows an ATO officer to disclose protected information to an individual relating to their employer's SG non-compliance;

   (d) tightened the director penalty provisions provided for Court-ordered security deposits.

5. The legislation providing for a *similar business test* which allows a company that has undergone a change of ownership or control that caused it to fail the continuity of ownership test (COT) (the test time) to access its losses from previous years if its current business is similar to the business it carried on immediately before the test time was finally enacted on 1 March 2019 and applies to losses made on or after 1 July 2015.

6. The measures to protect members' superannuation — i.e. capping superannuation fund fees, prohibiting exit fees and preventing trustees offering opt out insurance to members with certain inactive accounts — were passed into law on 12 March 2019.

7. The tax whistleblower protections legislation implementing the measure which was first proposed as part of the 2016–17 Federal Budget was enacted on 12 March 2019.

[48] The *Treasury Laws Amendment (Tax Integrity and Other Measures) Act 2018.*

Unfinished business

There are currently 122 bills before Parliament; 79 bills are not proceeding.[49] Depending on the outcome of the impending Federal election, many more bills will not proceed. The more significant tax measures that are now on hold or that may have to be re-introduced into Parliament include:

- The denial of the CGT main residence exemption for non-residents — this was announced as part of the 2017–18 Federal Budget and the planned transitional period will expire on 30 June 2019.[50]
- Significant changes to the R&D incentive which will:
  - increase the expenditure threshold but link the R&D tax offset for refundable R&D tax offset claimants to their corporate tax rates plus a 13.5 percentage point premium;
  - cap the refundability of the R&D tax offset at $4 million per annum; and
  - increase the targeting of the R&D tax incentive to larger R&D entities with high levels of R&D intensity.
- The SG amnesty which was to allow employers to self-correct their unpaid SGC amounts as far back as 1992 and make voluntary disclosure to the ATO during the period from 24 May 2018 to 23 May 2019.
- The proposed extension of the small business instant asset write-off to 30 June 2020 and the increase in the threshold from $20,000 to $25,000 which was to be effective from 29 January 2019.[51]
- Amendments to limit concessions for foreign investors for passive income derived through Australian stapled structures.[52]
- The targeted amendments to Div 7A which were proposed to operate from 1 July 2019.[53]

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[49] This excludes the *Appropriation Bill (No. 3)* and *Appropriation Bill (No. 4)* for the 2018–19 financial year. Many of these bills related to working conditions and workers entitlements, live animal exports and other social issues. Notably, the *Treasury Laws Amendment (Enterprise Tax Plan) Act 2017* which proposed to extend the reduced corporate tax rate to all companies is on this list.

[50] The same Bill also proposed to modify the foreign resident CGT regime to clarify that the principal asset test in s. 855-30 applies on an associate-inclusive basis (for foreign residents with indirect interests in Australian real property).

[51] This proposal was announced by the Prime Minister on 29 January 2019.

[52] This measure is contained in the *Treasury Laws Amendment (Making Sure Foreign Investors Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2019* which is still before the House of Representatives.

[53] The Government released a consultation paper on 22 October 2018.

Key information leading up to the 2019–20 Federal Budget

The Government's 2018–19 MYEFO reported that its economic plan was delivering a strong economy and making real progress on the track to return to surplus in 2019–20. This return to surplus will not be at the expense of the essential services that the community expects and the delivery of tax relief to Australians and a bring-forward of tax relief to millions of small businesses.[54]

			Estimates			
	Actual 2016–17	**Actual 2017–18**	**Budget 2018–19**	**Budget 2019–20**	**Budget 2020–21**	**Budget 2021–22**
Underlying cash position[55]	($33.2b)	($10.1b)[56]	($4.2b)	$7.1b	$11.0b	$17.8b
Economic growth	2.1%	2.8%	2.25%	2.75%	2.75%	3.0%
Unemployment rate	5.6%	5.4%	5.00%	5.00%	5.00%	5.0%
CPI — inflation	1.9%	2.1%	1.5%	2.25%	2.5%	2.5%

What we have already been told

Whatever the Government promises us will no doubt be formulated with an eye on the impending election. If the Government is not returned at the election, which is expected to be held on either 11 or 18 May 2019, it seems very likely that we could have another Budget in September.[57]

We expect that the Government will carry through with its unfinished business, with some splashing of cash on things like:

- stimulus spending by the Government on roads and other infrastructure and especially in regional and rural areas;
- a one-off payment to assist low income earners with their energy bill in June 2019;
- the instant asset write-off for small businesses to be extended to 30 June 2020 and the threshold increased to $25,000;
- accelerating the commencement of the personal income tax cuts from the scheduled date of 1 July 2022;
- additional funding for regulators like the ATO, APRA and ASIC.

54 MYEFO 2018–19, at page 1.

55 Underlying cash position — a reduction in the underlying cash balance means that the government must borrow more and as a consequence the interest cost on the higher public debt increases.

56 Commonwealth of Australia. *Final Budget Outcome 2017–18*, September 2018 at page 1. See: www.budget.gov.au/2017-18/content/fbo/download/FBO_2017-18_Combined.pdf

57 Shadow Treasurer Chris Bowen announced on the ABC program *Insiders* on 31 March 2019 that 'If we win, we will bring down a major economic statement in the third quarter of the year, which will in effect be the first budget of a Shorten Labor government.' See: www.news.com.au/finance/economy/federal-budget/what-we-know-so-far-about-the-federal-budget/news-story/1108b4a465e93c655818a2d338000586

Federal Budget summary 2019–20

Measures and start dates at a glance

Budget measure	Start date
Individuals	
Extending Family Tax Benefit to ABSTUDY recipients aged 16 and over who study away from home	2018-19
Increasing the Medicare levy low-income thresholds	From the 2018–19 income year
Building on the Personal Income Tax Plan	1 July 2022 1 July 2024
Deductions	
Increasing and expanding access to the instant asset write-off	Application: From 7.30pm (AEDT) on 2 April 2019 until 30 June 2020
Philanthropy - Extending deductible gift recipient status to Men's Sheds and Women's Sheds	1 July 2020
Small business	
North Queensland Flood Recovery Package - Tax treatment of qualifying grants	Qualifying grants made on or after 25 January 2019
Queensland storms - Tax treatment of payments to primary producers	Eligible payments made from October 2018
Companies	
Delayed start date to allow further consultation on Division 7A amendments	1 July 2020
Tax exempt entities	
Philanthropy - updates to the list of specifically listed deductible gift recipients	1 July 2019

Budget measure	Start date
International	
Clarifying the operation of the hybrid mismatch rules	Income years starting on or after: 1 January 2019 — for amendments 2 April 2019 — for integrity rule
International Tax - updating the list of information exchange countries	Effective from 1 January 2020
International Tax - signing the Australia-Israel Tax Treaty	Yet to be announced
Superannuation	
Permanent relief for merging superannuation funds	From 1 July 2020
Protecting Your Super Package - amendment	Generally, from 1 July 2019
Protecting Your Super Package - Putting members' interests first	From 1 October 2019
Reducing costs by including release authorities in SuperStream Rollover Standard	31 March 2021
Superannuation - Improving flexibility for older Australians	1 July 2020
Superannuation - Reducing red tape for superannuation funds	1 July 2020
Compliance	
Black Economy - Strengthening the Australian Business Number System	1 July 2021 — income tax lodgment 1 July 2022 — annual confirmation
More funding for the ATO Tax Avoidance Taskforce	Funding over four years from 2019–20
Addressing sham contracting	From 2019–20
Tax Integrity - Increasing engagement and on-time payment of tax and superannuation liabilities	Not specified

Budget measure	Start date
Other taxes	
Indirect Tax Concession Scheme - Diplomatic, consular and international organisation concessions	A time specified by the Minister for Foreign Affairs
Luxury car tax - Increased refunds for eligible primary producers and tourism operators	Vehicles acquired on or after 1 July 2019
Related Laws	
Social Security one-off energy assistance payment	Applicable to residents in Australia who are eligible for qualifying payments on 2 April 2019
Single Touch Payroll	
Single Touch Payroll expansion	1 July 2020

Budget Measures

Individuals

▶ 2019-20 Federal Budget - Extending Family Tax Benefit to ABSTUDY recipients aged 16 and over who study away from home

KEY POINTS
▪ The Government has announced that it will provide $36.4 million over five years from 2018–19 to extend Family Tax Benefit eligibility to the families of ABSTUDY students aged 16 years and over who are required to live away from home to attend school.

START DATE

2018–19

As part of the 2019–20 Federal Budget, the Government announced that it will provide $36.4 million over five years from 2018–19 to extend Family Tax Benefit eligibility to the families of ABSTUDY (secondary) student recipients aged 16 years and over who are required to live away from home to attend school.

This measure — which builds on the 2018–19 Federal Budget measure titled *50 Years of ABSTUDY — strengthening ABSTUDY for secondary students* — is intended to improve access to secondary education for Indigenous Australians.

Source: Budget Paper No. 2 page 159

▶ 2019-20 Federal Budget - Building on the Personal Income Tax Plan

KEY POINTS
▪ The Government has announced that it will introduce amendments to build on its legislated seven-year Personal Income Tax Plan. ▪ The proposed changes consist of: ▫ amendments to the low and middle income tax offset (LMITO) , which will increase the amount of the relief available to eligible individuals in the 2018–19 to 2021–22 income years; ▫ an increase in the top threshold of the 19 per cent tax rate from $41,000 to **$45,000** from 1 July 2022; ▫ an increase in the low income tax offset from $645 to **$700** from 1 July 2022; and ▫ a reduction of the 32.5 per cent marginal tax rate to **30 per cent** from 1 July 2024.

As part of the 2019–20 Federal Budget, the Government announced that it will amend various elements of its legislated Personal Income Tax Plan.

The Government proposes to:

- provide immediate relief to low- and middle-income earners through changes to the low and middle income tax offset (LMITO) for the 2018–19 to 2021–22 income years;
- 'lock in' the benefits of lower taxes by adjusting the personal income tax brackets and increasing the low income tax offset (LITO) from 1 July 2022; and
- make further structural changes to the personal income tax brackets from 1 July 2024.

Background

The *Treasury Laws Amendment (Personal Income Tax Plan) Act 2018* — which received Royal Assent on 21 June 2018 as Act No. 47 of 2018 — implemented the Government's Personal Income Tax Plan, which was announced in its 2018–19 Federal Budget.

The legislated Personal Income Tax Plan:

- progressively increases the personal income tax rate thresholds in the 2018–19, 2022–23 and 2024–25 income years;
- introduces an LMITO for the 2018–19 to 2021–22 income years; and
- merges the LMITO and the former LITO into a new LITO from the 2022–23 income year.

Immediate relief to low- and middle-income earners — amending the LMITO

APPLICATION DATE

2018–19 to 2021–22 income years

The proposed amendments will provide a further reduction in tax through the non-refundable LMITO from the 2018–19 to 2021–22 income years by:

- increasing the maximum amount of the offset from $530 to $1,080 per annum;
- increasing the base amount of the offset from $200 to $255 per annum; and
- increasing the eligibility threshold from $125,333 to $126,000.

The proposed and legislated offset amounts are set out in the following table:

<table>
<tr><th colspan="2">Relevant income[58] for the 2018–19 to 2021–22 income years</th><th>Legislated LMITO amount</th><th>Proposed LMITO amount</th></tr>
<tr><td colspan="2">$37,000 or less</td><td>$200</td><td>up to $255</td></tr>
<tr><td colspan="2">$37,001 to $48,000</td><td>$200, plus three per cent of the amount of relevant income exceeding $37,000 (to a maximum benefit of $530)</td><td>$255, plus 7.5 per cent of the amount of relevant income exceeding $37,000 (to a maximum benefit of $1,080)</td></tr>
<tr><td colspan="2">$48,001 to $90,000</td><td>$530 (maximum)[59]</td><td>$1,080 (maximum)</td></tr>
<tr><td rowspan="2">$90,001 to</td><td>$125,333</td><td>$530, less 1.5 per cent of the amount of relevant income exceeding $90,000</td><td></td></tr>
<tr><td>$126,000</td><td></td><td>$1,080, less three per cent of the amount of relevant income exceeding $90,000</td></tr>
</table>

Note

The LMITO will be received on assessment after an individual lodges their income tax return for the relevant income year. Individuals will receive an LMITO benefit when they lodge returns from 1 July 2019.

Locking in the benefits of lower taxes — increasing the 19 per cent tax rate threshold and the LITO

From 1 July 2022:

- the top threshold of the 19 per cent personal income tax bracket will increase from $41,000 to $45,000; and
- the LITO will increase from $645 to $700, with corresponding changes to withdrawal rates.

START DATE

1 July 2022

Together, these proposed amendments will lock in the reduction in tax provided in the LMITO when the LMITO is removed from 1 July 2022.

[58] *Relevant income* of an entity is the taxable income of an individual or the share of the net income of the trust in respect of which a trustee is taxed on behalf of a beneficiary — s. 61-107(1) of the *ITAA 1997*.

[59] The amount of the offset is capped. The amount of the cap is the amount of tax payable by the entity which is not payable in relation to the unearned income of minors taxed under the integrity rules in Div 6AA of Part III of the *ITAA 1936* (unearned income).

Personal income tax thresholds — from 1 July 2022

Legislated personal income tax thresholds from 1 July 2022 to 30 June 2024			
Taxable income	**Rate**	**Tax payable**	
$0 – $18,200	0%	Nil	
$18,201 – **$41,000**	19%	Nil	+ 19% of excess over $18,200
$41,001 – $120,000	32.5%	$4,332	+ 32.5% of excess over $41,000
$120,001 – $180,000	37%	$30,007	+ 37% of excess over $120,000
$180,000 +	45%	$52,207	+ 45% of excess over $180,000

Proposed personal income tax thresholds from 1 July 2022 to 30 June 2024			
Taxable income	**Rate**	**Tax payable**	
$0 – $18,200	0%	Nil	
$18,201 – **$45,000**	19%	Nil	+ 19% of excess over $18,200
$45,001 – $120,000	32.5%	$5,092	+ 32.5% of excess over $45,000
$120,001 – $180,000	37%	$29,467	+ 37% of excess over $120,000
$180,000 +	45%	$51,667	+ 45% of excess over $180,000

Low Income Tax Offset

From 1 July 2022, the Government will also increase the LITO from $645 to **$700**.

The increased LITO will be withdrawn at the following rates:

Withdrawal rate	Legislated taxable income thresholds	Proposed taxable income thresholds
6.5 cents per dollar	$37,000 to $41,000	$37,500 to $45,000
1.5 cents per dollar	$41,000 to $66,667	$45,000 to $66,667

Further structural changes to the personal income tax system — reducing the 32.5 per cent marginal tax rate

From 1 July 2024, the Government will reduce the 32.5 per cent marginal tax rate to **30 per cent**.

START DATE

1 July 2024

Note

The legislated Personal Income Tax Plan will abolish the 37 per cent tax bracket in the 2024–25 income year. These two structural changes will result in around 94 per cent of taxpayers (projected) facing a marginal tax rate of 30 per cent or less.

Legislated personal income tax thresholds and rates from 1 July 2024			
Taxable income	Rate	Tax payable	
$0 – $18,200	0%	Nil	
$18,201 – $41,000	19%	Nil	+ 19% of excess over $18,200
$41,001 – $200,000	32.5%	$4,332	+ 32.5% of excess over $41,000
$200,001 +	45%	$56,007	+ 45% of excess over $180,000

Proposed personal income tax thresholds and rates from 1 July 2024			
Taxable income	Rate	Tax payable	
$0 – $18,200	0%	Nil	
$18,201 – **$45,000**	19%	Nil	+ 19% of excess over $18,200
$45,001 – $200,000	**30%**	$5,092	+ 30% of excess over $45,000
$200,001 +	45%	$51,592	+ 45% of excess over $200,000

Source: Budget Paper No. 2 page 17

▶ 2019-20 Federal Budget - Increasing the Medicare levy low-income thresholds

KEY POINTS

- The Government has announced it will increase the Medicare levy low-income threshold from the 2018–19 income year for:
  - singles — from $21,980 to $22,398;
  - families — from $37,089 to $37,794;
  - single seniors and pensioners — from $34,758 to $35,418;
  - seniors and pensioners — families — from $48,385 to $49,304; and
  - each dependent child-student — from $3,406 to $3,471.
- The increase adjusts the thresholds to take into account increases in the CPI.

START DATE

From the 2018–19 income year

As part of the 2019–20 Federal Budget, the Government announced that it will increase the Medicare levy low-income threshold for singles, families, and seniors and pensioners from the 2018–19 income year.

The increase adjusts the thresholds to take into account increases in the Consumer Price Index (CPI) so that low-income taxpayers generally continue to be exempted from paying the Medicare levy.

The Medicare levy low-income thresholds are detailed in the table below.

Income year	Individuals	Families	Pensioners below age pension age	Senior Australians	Seniors and pensioners — families	+ amount for each dependent child/student
2018–19	$22,398	$37,794	$35,418		$49,304	$3,471
2017–18	$21,980	$37,089	$34,758		$48,385	$3,406
2016–17	$21,655	$36,541	$34,244		$47,670	$3,356
2015–16	$21,335	$36,001	$33,738		$46,966	$3,306
2014–15	$20,896	$35,261	$33,044		$46,000	$3,238
2013–14	$20,542	$34,367	$32,279		$46,000	$3,156
2012–13	$20,542	$33,693	$32,279		$46,000	$3,094
2011–12	$19,404	$32,743	$30,451	$30,685	$44,500	$3,007
2010–11	$18,839	$31,789	$30,439	$30,685	$44,500	$2,919

Source: Budget Paper No. 2 page 19

Deductions

▶ 2019-20 Federal Budget - Increasing and expanding access to the instant asset write-off

KEY POINTS

- The Government has announced that it will:
  - increase the instant asset write-off threshold from $25,000 to **$30,000**; and
  - expand the instant asset write-off to make it available to **medium-sized businesses** (aggregated annual turnover of $10 million or more, but less than $50 million), in addition to small business entities (SBEs).
- Assets eligible for the immediate write off assets must cost less than $30,000 and be:
  - for SBEs — first used, or installed ready for use, from 7.30pm (AEDT) on 2 April 2019 until 30 June 2020;
  - for medium sized businesses — acquired and first used, or installed ready for use, from 7.30pm (AEDT) on 2 April 2019 until 30 June 2020.
- The Government will still proceed with its previously announced measure to allow SBEs an instant asset write-off for eligible assets costing less than $25,000 (increased from the current threshold of $20,000) that are first used or installed ready for use from 29 January 2019 until 7.30pm (AEDT) on 2 April 2019.

Background

Under the current law, small business entities (SBEs)[60] are entitled to claim an immediate deduction for purchases of eligible assets costing less than $20,000 that are first used, or installed ready for use, by 30 June 2019.[61] For all other taxpayers, the threshold is $1,000.

On 29 January 2019, the Government announced that:

- the instant asset write-off would be extended to 30 June 2020; and
- the instant asset write-off threshold would be increased from $20,000 to $25,000, with effect from 29 January 2019.

A bill to give effect to this announcement was introduced into the House of Representatives on 13 February 2019, where it remains.[62]

Announcement

APPLICATION

From 7.30pm (AEDT) on 2 April 2019 until 30 June 2020

As part of the 2019–20 Federal Budget, the Government announced that it will:

- increase the instant asset write-off threshold from $25,000 to **$30,000**; and
- expand the instant asset write-off to make it available to **medium-sized businesses** (aggregated annual turnover of $10 million or more, but less than $50 million), in addition to SBEs.

These measures will apply to eligible assets costing less than $30,000 that are first used, or installed ready for use, **from 7.30pm (AEDT) on 2 April 2019 until 30 June 2020**.

Note

It is intended that small businesses can continue to place assets which cannot be immediately deducted into the small business simplified depreciation pool (the pool) and depreciate those assets at 15 per cent in the first income year and 30 per cent each income year thereafter. The pool balance can also be immediately deducted if it is less than the applicable instant asset write-off threshold at the end of the income year (including existing pools). The current 'lock out' laws for the simplified depreciation rules — which prevent SBEs from re-entering the simplified depreciation regime for five years if they opt out — will continue to be suspended until 30 June 2020.

Medium-sized businesses do not have access to the small business pooling rules and will instead continue to depreciate assets costing $30,000 or more in accordance with the existing depreciating asset provisions of the tax law.

Important

The Government intends to proceed with its announcement of 29 January 2019, so that SBEs will be able to immediately deduct purchases of eligible assets costing less than $25,000 that are first used or installed ready for use in the period from 29 January 2019 until 7.30pm (AEDT) on 2 April 2019.

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60 Aggregated annual turnover of less than $10 million: see s. 328-110 of the *ITAA 1997*.

61 Some assets such as horticultural plants and in-house software are not eligible.

62 The *Treasury Laws Amendment (Increasing the Instant Asset Write-Off for Small Business Entities) Bill 2019.*

Summary of relevant dates for instant asset write-off

Dates first used, or installed ready for use	Instant asset write-off threshold	Eligible taxpayers
From 7.30pm (AEST) on 12 May 2015 to 28 January 2019	$20,000	Small business entities (originally aggregated turnover less than $2 million but this was increased to less than $10 million from 1 July 2016)
From 29 January 2019 until 7.30pm (AEST) on 2 April 2019	$25,000	Small business entities (aggregated turnover less than $10 million)
From 7.30pm (AEST) on 2 April 2019 to 30 June 2020	$30,000	All business with an aggregated turnover less than $50 million
From 1 July 2020	$1,000	Small business entities (aggregated turnover less than $10 million)[63]

Source: Budget Paper No. 2 pages 14–15;
Budget Overview: pages 14 and 35 and
Treasurer's Media Release: Our plan for a stronger economy

▶ 2019-20 Federal Budget - Philanthropy - Extending deductible gift recipient status to Men's Sheds and Women's Sheds

KEY POINTS
▪ The Government has announced that it will establish a deductible gift recipient (DGR) general category to enable Men's and Women's Sheds to access DGR status from **1 July 2020.**

START DATE

1 July 2020

Background

On 24 March 2019, the Government announced in a Media Release *Unlocking fundraising for Men's and Women's sheds* that the Government would introduce a new law that will make donations to Men's and Women's Sheds tax deductible from 1 July 2020.

Announcement

As part of the 2019–20 Federal Budget, the Government supported this announcement by proposing to establish a deductible gift recipient (DGR) general category to enable Men's and Women's Sheds to access DGR status from 1 July 2020.

63 Budget Paper No. 2 states that 'medium sized businesses will now also have access to the instant asset write-off' which implies that s. 328-180(1) will be amended to include medium sized businesses as entities that are eligible for the concession. It would follow that when the increased threshold ceases to apply from 1 July 2020, medium sized businesses would continue to be eligible for the write-off for assets costing less than $1,000.

This means taxpayers will be able to claim an income tax deduction for gifts of money or property of $2 or more to Men's and Women's Sheds that are DGRs.

Source: Budget Paper No. 2 page 20;
Treasurer's Media Release on 24 March 2019 (No. 49 of 2019)

Small Business

2019-20 Federal Budget - North Queensland Flood Recovery Package - Tax treatment of qualifying grants

KEY POINTS

- The Government has announced that qualifying grants made to primary producers, small businesses and non-profit organisations affected by the North Queensland floods will be non-assessable non-exempt income for tax purposes.
- The exemption will apply to grants related to the monsoonal trough, which produced flooding that started on or after 25 January 2019 and continued into February 2019.

START DATE

Qualifying grants made on or after 25 January 2019

As part of the 2019–20 Federal Budget, the Government announced that it will ensure that qualifying grants made to primary producers, small businesses and non-profit organisations affected by the North Queensland floods are made non-assessable non-exempt income for tax purposes.

Qualifying grants include Category C and Category D grants provided under the *Disaster Recovery Funding Arrangements 2018*, and grants provided under the *On-Farm Restocking and Replanting Grants Program* and the *On-Farm Infrastructure Grants Program*.

The exemption will apply to grants related to the monsoonal trough, which produced flooding that started on or after 25 January 2019 and continued into February 2019.

Source: Budget Paper No. 2 page 19

2019-20 Federal Budget - Queensland storms - Tax treatment of payments to primary producers

KEY POINTS
▪ The Government has announced that payments to primary producers in the Fassifern Valley, Queensland affected by storm damage in October 2018 will be exempt income.

START DATE

Eligible payments made from October 2018

As part of the 2019–20 Federal Budget, the Government announced that it will treat payments made to primary producers in the Fassifern Valley, Queensland affected by storm damage in October 2018 as exempt income.

The exempt tax treatment relates to payments made to affected taxpayers via a grant to the Foundation for Rural and Regional Renewal. Payments from the foundation will be made with the assistance of the Salvation Army and a local community panel.

Source: Budget Paper No. 2 page 23

Companies

2019-20 Federal Budget - Delayed start date to allow further consultation on Division 7A amendments

KEY POINTS
▪ The Government has announced that it will defer the start date of proposed amendments to Div 7A of Part III of the *ITAA 1936* from 1 July 2019 to **1 July 2020**.
▪ Delaying the start date by 12 months will allow additional time to further consult with stakeholders on the complexities of the Div 7A provisions, and to refine the Government's implementation approach — including to ensure appropriate transitional arrangements so taxpayers are not unfairly prejudiced.

Background

In October 2018, the Government released for consultation a paper[64] (the Consultation Paper) in which it sought submissions on amendments to improve the integrity and operation of Div 7A in Part III of *the ITAA 1936*. The consultation followed recommendations made by the Board of Taxation in its post-implementation review of Div 7A.[65]

64 Titled *Targeted amendments to the Division 7A integrity rules*, released for consultation on 22 October 2018 (submissions for which were due on 21 November 2018).

65 The Board completed its post-implementation review of Div 7A and provided its report to government — titled *Post-implementation review of Div 7A of Part III of the ITAA 1936* — on 12 November 2014.

In broad terms, the Consultation Paper proposed that the Government will amend Div 7A by:

- introducing **simplified loan rules** — pursuant to which the current 7-year and 25-year loan models will be replaced by a single 10-year loan model (subject to a two-year transitional period for existing loans of 1 July 2019 to 30 June 2021);
- requiring that **unpaid present entitlements** — i.e. amounts to which a private company is presently entitled from a trust and which are not paid to the company — are paid out or put on complying loan terms;
- allowing taxpayers to **self-correct** their arrangements without penalty;
- introducing legislative **safe harbour** rules for provision of assets for use; and
- making various technical amendments, e.g. clarifying that s. 109M (about loans in ordinary course of business) is confined to money lending businesses.

At the time the Consultation Paper was released, it was proposed that the amendments to Div 7A would apply from **1 July 2019**, which was consistent with the date specified in the 2018–19 Federal Budget.[66]

Announcement

As part of the 2019–20 Federal Budget, the Government announced that it will defer the start date of the Div 7A amendments from 1 July 2019 to **1 July 2020**.

START DATE
1 July 2020

Following release of the Consultation Paper, the Government received feedback from stakeholders that Div 7A is a complex area of the tax law, and which raised implementation issues warranting further consideration.

Delaying the start date by 12 months will allow additional time to further consult with stakeholders on these issues and to refine the Government's implementation approach, including to ensure appropriate transitional arrangements so taxpayers are not unfairly prejudiced.

Source: Budget Paper No. 2 page 25

[66] The start date for implementation of the Board of Taxation's Div 7A recommendations was originally proposed to be 1 July 2018, but was deferred to 1 July 2019 as part of the 2018–19 Federal Budget.

2019-20 Federal Budget - Philanthropy - updates to the list of specifically listed deductible gift recipients

KEY POINTS
▪ The Government has announced the list of deductible gift recipients (DGRs) has been expanded to include a further six organisations, including: ▪ Australian Academy of Law; ▪ China Matters Limited; ▪ Foundation Broken Hill Limited; ▪ Motherless Daughters Australia Limited; ▪ Superannuation Consumers Centre Limited; and ▪ The Headstone Project (Tasmania) Incorporated. ▪ Applies for the period **1 July 2019 to 30 June 2024**.

START DATE

1 July 2019

As part of the 2019–20 Federal Budget, the Government announced that since the 2018–19 MYEFO the list of organisations approved as specifically listed deductible gift recipients (DGRs) for the period 1 July 2019 to 30 June 2024 has increased to include:

- Australian Academy of Law;
- China Matters Limited;
- Foundation Broken Hill Limited;
- Motherless Daughters Australia Limited;
- Superannuation Consumers Centre Limited; and
- The Headstone Project (Tasmania) Incorporated.

Taxpayers can claim an income tax deduction for gifts of money or property to these organisations of $2 or more.

Source: Budget Paper No. 2 page 20

2019-20 Federal Budget - Clarifying the operation of the hybrid mismatch rules

KEY POINTS
■ The Government will amend the tax law to provide greater certainty to taxpayers about the operation of the hybrid mismatch rules in Div 832 of the *ITAA 1997* for income years starting on or after 1 January 2019 by: ■ stipulating how the rules in Div 832 apply to MEC groups and trusts; ■ limiting the meaning of foreign tax; and ■ specifying that the integrity rule can apply where other provisions have applied. ■ The amendments to the integrity rule will apply to income years starting on or after 2 April 2019.

START DATE

Income years starting on or after:

1 January 2019 — for amendments

2 April 2019 — for integrity rule

As part of the 2019–20 Federal Budget, the Government has announced that it will make a number of minor amendments to Australia's hybrid mismatch rules to clarify their operation.

Background

The hybrid mismatch rules whose purpose is to prevent multinational group from exploiting tax differences across jurisdictions are contained in Div 832 which was introduced into the *ITAA 1997* by the *Treasury Laws Amendment (Tax Integrity and Other Measures No. 2) Act 2018*.[67]

Broadly, the hybrid mismatch rules apply where an entity enters into a scheme that gives rise to a payment; and the payment gives rise to:

- a deduction/non-inclusion mismatch; or
- a deduction/deduction mismatch.

Subdivision 832-J contains a targeted integrity rule which prevents the effect of the rules being compromised by multinational groups using interposed country conduit type entities that pay effectively no tax to invest into Australia, as an alternative to investing directly into Australia via traditional hybrid instruments or entities.

Clarifying the operation of the hybrid mismatch rules

The Treasurer announced, as part of the 2019–20 Federal Budget, that the Government will amend the tax law to provide greater certainty to taxpayers by:

- stipulating how the rules in Div 832 apply to MEC groups and trusts;
- limiting the meaning of foreign tax; and
- specifying that the integrity rule can apply where other provisions have applied.

Source: Budget Paper No. 2 page 24

[67] This Act received Royal Assent on 24 August 2018 as Act No. 84 of 2018.

2019-20 Federal Budget - International Tax - updating the list of information exchange countries

KEY POINTS
■ The Government has announced that the list of countries whose residents are eligible to access a reduced withholding tax rate of 15 per cent on certain distributions from Australian Managed Investment Trusts due to entering into effective information sharing agreements will be updated to include a further eight countries.

START DATE

Effective from 1 January 2020

As part of the 2019–20 Federal Budget, the Government announced that it will update the list of countries whose residents are eligible to access a reduced withholding tax rate of 15 per cent, instead of the default rate of 30 per cent, on certain distributions from Australian Managed Investment Trusts (MITs).

To be on this list, a country must have established the legal relationship enabling them to share taxpayer information with Australia.

The list will be updated to include the following countries:

- Curaçao;
- Lebanon;
- Nauru;
- Pakistan;
- Panama;
- Peru;
- Qatar; and
- the United Arab Emirates

This will increase the number of countries on the list from 114 to 122.

This measure supports the operation of the MIT withholding tax system by providing the reduced withholding tax rate only to residents of countries that enter into effective information sharing agreements with Australia.

Source: Budget Paper No. 2 page 16

2019-20 Federal Budget - International Tax - signing the Australia-Israel Tax Treaty

KEY POINTS
▪ The Government has announced that it will introduce amendments to the *International Tax Agreements Act 1953* to give the newly signed Convention between the Government of Australia and the Government of the State of Israel force of law in Australia.

START DATE
Yet to be announced

On 28 March 2019, the Assistant Treasurer, Stuart Robert, announced in a media release *New tax treaty signed with Israel,* that the Government signed on 28 March 2019 the *Convention between the Government of Australia and the Government of the State of Israel for the Elimination of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance.*

The Convention will relieve double taxation, lower withholding tax rates on interest, divided and royalty payments and improves certainty for taxpayers in both countries.

As part of the 2019–20 Federal Budget, the Government announced that it will also introduce amendments to the *International Tax Agreements Act 1953* to give the treaty force of law in Australia. That Act will also be amended to provide that certain income covered by a tax treaty is deemed to have an Australian source.

Source: Budget Paper No. 2 page 16
Treasurer's and Assistant Treasurer's Joint Media Release on 28 March 2019 (No. 53 of 2019)

Superannuation

2019-20 Federal Budget - Permanent relief for merging superannuation funds

KEY POINTS
▪ The Government has announced that it will make the current tax relief for merging superannuation funds permanent from 1 July 2020.

START DATE
From 1 July 2020

As part of the 2019–20 Federal Budget, the Government has announced that it will make the current tax relief for merging superannuation funds permanent from 1 July 2020.

Background

Since December 2008, optional tax relief — contained in Div 310 of the *ITAA 1997* — has been available to complying superannuation funds or approved deposit funds that merged with another APRA-regulated fund with more than five members.

The tax relief was in relation to the transfer of capital losses and revenue losses and the treatment of CGT events related to the merger and was temporary but reinstated when it lapsed. The tax relief was provided to remove impediments to mergers. The relief was extended in 2011 until 1 July 2020.

Note

Self managed superannuation funds are not eligible for this relief.

Tax relief for merging superannuation funds to be made permanent from 1 July 2020

As part of the 2019–20 Federal Budget, the Treasurer announced that the Government will amend the tax law to make the tax relief permanent from 1 July 2020.

Removal of tax as an impediment to mergers will facilitate industry consolidation and is consistent with the recommendations of the Productivity Commissioner's final report.

Source: Budget Paper No. 2 page 23

2019-20 Federal Budget - Protecting Your Super Package - amendment

KEY POINTS

- The Government confirmed amendments made to the *Protecting Your Super Package* which:
  - extend to 16 months the period after which an account that has not received any contribution is considered inactive;
  - expand the definition of when an account is considered active for the ATO-led consolidation regime; and
  - require the ATO to consolidate to an active account, where possible, within 28 days of receipt.
- These changes were made to The *Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2019*, which received Royal Assent on 12 March 2019.

START DATE

Generally, from 1 July 2019

As part of the 2019–20 Federal Budget, the Government confirmed that it has agreed to amendments made to the *Protecting Your Super Package* announced in the 2018–19 Federal Budget. The amendments, made to *The Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2019*:

- extend to 16 months the period after which an account that has not received any contribution is considered inactive;
- expand the definition of when an account is considered active for the ATO-led consolidation regime; and
- require the ATO to consolidate to an active account, where possible, within 28 days of receipt.

Background

The *Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2019,* which received Royal Assent on 12 March 2019, made amendments to the *SIS Act* to prevent a trustee from offering or maintaining default insurance cover for members with inactive accounts unless the member has elected to obtain or maintain the insurance provided. Originally the period of inactivity as proposed by the Bill was to be 13 months, but this was amended in the Senate to 16 months.

The Act also requires superannuation and retirement savings account providers to pay the balances of accounts to the Commissioner where the account has been inactive for 16 months and the balance of the account is less than $6,000.

Amendments made in the Senate treat an account as not being an inactive low balance account if:

1. the account is held on behalf of a member of the fund; and
2. any of the following occurred in relation to the member in the last 16 months:
    (a) the member changed the member's investment options under the fund;
    (b) the member made changes in relation to the member's insurance coverage under the fund;
    (c) the member made or amended a binding beneficiary nomination;
    (d) the member, by written notice given to the Commissioner, declared that the member was not a member of an inactive low balance account;
    (e) the superannuation provider was owed an amount in respect of the member.

The Act also gives the Commissioner greater powers to proactively consolidate amounts that have been paid to him or her as unclaimed money, inactive low-balance accounts, or lost member accounts into an active superannuation account, without needing to be directed to do so by the person to whom the amount relates.

The Commissioner must, subject to the requirements in new ss. 24NA(1), (1A) and (2) of the *Superannuation (Unclaimed Money and Lost Members) Act 1999,* rollover amounts to a superannuation account within 28 days.

Source: Budget Paper No. 2 page 21

2019-20 Federal Budget - Protecting Your Super Package - Putting members' interests first

KEY POINTS
▪ The Government has announced a delay to the start date — for ensuring insurance within superannuation is only offered on an opt-in basis for accounts with balances of less than $6,000 and for new accounts belonging to members under the age of 25 years — to 1 October 2019.
▪ The amended start date is contained in the *Treasury Laws Amendment (Putting Members' Interests First) Bill 2019*, which was introduced into Parliament on 20 February 2019.

START DATE

From 1 October 2019

Background

On 20 February 2019, the *Treasury Laws Amendment (Putting Members' Interests First) Bill 2019* was introduced into Parliament. The Bill relevantly contains amendments to prevent trustees from providing opt out insurance to new members under the age of 25 years or members with balances below $6,000, unless directed otherwise.

The amendments proposed by the Bill were previously included as part of Schedule 2 to the *Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018*[68], and were removed from that Bill during its passage through Parliament. The original amendments were due to commence on 1 July 2019.

Announcement

As part of the 2019–20 Federal Budget, the Government announced the delay to the start date for this measure to 1 October 2019. This change is contained in the *Treasury Laws Amendment (Putting Members' Interests First) Bill 2019.*

Source: Budget Paper No. 2 page 21

▶ 2019-20 Federal Budget - Reducing costs by including release authorities in SuperStream Rollover Standard

KEY POINTS
▪ The Government has announced that it will provide $19.3 million over three years from 2020–21 to the ATO to expand the electronic SuperStream Rollover Standard to include release authorities from 31 March 2021.
▪ The start date of SMSF rollovers in SuperStream will be delayed until 31 March 2021 to coincide with this expansion of the Rollover Standard.

START DATE

31 March 2021

As part of the 2019–20 Federal Budget, the Government announced that it will provide $19.3 million over three years from 2020–21 to the ATO to send electronic request to superannuation funds for the release of money required under a number of superannuation arrangements from 31 March 2021.

This will be implemented by expanding the electronic SuperStream Rollover Standard — used for the transfer of information and money between employers, superannuation funds and the ATO — to include release authorities.

The start date of self-managed superannuation fund (SMSF) rollovers in SuperStream will be delayed to 31 March 2021 to coincide with this expansion of the Rollover Standard.

Source: Budget Paper No. 2 page 169

68 This Bill, as amended, received Royal Assent on 12 March 2019 as Act No. 16 of 2019.

2019-20 Federal Budget - Superannuation - Improving flexibility for older Australians

KEY POINTS
▪ The Government has announced that, from 1 July 2020, it will allow voluntary superannuation contributions to be made by individuals aged 65 and 66 without having to meet the work test.
▪ Individuals aged 65 and 66 will also be able to make up to three years of non-concessional contributions under the bring-forward rule.
▪ Individuals up to and including age 74 will be able to receive spouse contributions.

Background

A regulated superannuation fund may accept contributions made in respect of a member only in accordance with the table set out in reg. 7.04(1) of the *SIS Regs*.

Note

The expression 'voluntary contributions' does not appear in the Regs but is used in the Government's announcement to conveniently refer to the following:

Member of regulated superannuation fund	Voluntary contributions
aged 65 to 69	employer contributions (except mandated employer contributions) or member contributions
aged 70 to 74	employer contributions (except mandated employer contributions) or member contributions made by the member

The work test

The work test to be satisfied in relation to an income year requires the individual to have been gainfully employed on at least a part-time basis during the income year[69]; i.e. they must have been gainfully employed[70] for at least 40 hours in a period of 30 consecutive days[71] during that income year[72].

69 Table items 2(b) and 3(b) in reg. 7.04(1) of the *SIS Regs*.

70 'Gainfully employed' is defined in reg. 1.03 of the *SIS Regs* as meaning 'employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment'.

71 Regulation 7.01(3) of the *SIS Regs*.

72 For example, a person who works 40 hours in a fortnight can make superannuation contributions for the rest of the income year.

Announcement

START DATE
1 July 2020

As part of the 2019–20 Federal Budget, and in a media release titled *Super boost: more flexibility for retirement* issued on 1 April 2019, the Treasurer, Josh Frydenberg, announced that, from 1 July 2020 the Government will allow voluntary superannuation contributions (both concessional and non-concessional) to be made by individuals aged 65 and 66 without having to meet the work test.

Individuals aged 65 and 66 will also be able to make up to three years of non-concessional contributions under the bring-forward rule. This will allow them to make non-concessional contributions up to $300,000 in a single income year instead of $100,000.

Individuals up to and including age 74 will be able to receive spouse contributions. Currently those aged 70 years and over cannot receive contributions made by another person on their behalf.

Source: Budget Paper No. 2 page 22; and
Treasurer's Media Release on 1 April 2019: Super boost: more flexibility for retirement

▶ 2019-20 Federal Budget - Superannuation - Reducing red tape for superannuation funds

KEY POINTS
▪ The Government has announced that, from 1 July 2020, superannuation fund trustees with interests in both the accumulation and retirement phases during an income year will be able to choose their preferred method of calculating exempt current pension income (ECPI).
▪ The Government will also remove the requirement for superannuation funds to obtain an actuarial certificate when calculating ECPI using the proportionate method, where all members of the fund are fully in the retirement phase for all of the income year.

START DATE
1 July 2020

As part of the 2019–20 Federal Budget, the Government announced that it will allow superannuation fund trustees with interests in both the accumulation and retirement phases during an income year to choose their preferred method of calculating exempt current pension income (ECPI).

The Government will also remove a redundant requirement for superannuation funds to obtain an actuarial certificate when calculating ECPI using the proportionate method, where all members of the fund are fully in the retirement phase for all of the income year.

Source: Budget Paper No. 2 page 23

2019-20 Federal Budget - Black Economy - Strengthening the Australian Business Number System

KEY POINTS
■ The Government has announced that it will strengthen the Australian Business Number (ABN) system to disrupt Black Economy behaviour by: ■ from 1 July 2021 — requiring ABN holders, with an income tax return obligation, to lodge their income tax return; and ■ from 1 July 2022 — requiring ABN holders to confirm the accuracy of their details on the Australian Business Register annually.

Background

As part of the 2018–19 Federal Budget[73], the Government announced that it would consult on and design a new regulatory framework for the ABN system.[74]

On 20 July 2018, the Government released a Consultation Paper, *Tackling the Black Economy — Designing a modern Australian Business Number system*. The paper posed a range of consultation questions on the purpose of the ABN system, entitlement to an ABN, using the ABN to support verification of legitimate businesses, and whether ABNs should be subject to renewal.

Currently, ABN holders are able to retain their ABN regardless of whether they are meeting their obligations to lodge income tax returns, or to update their ABN details on the Australian Business Register (ABR).

Announcement

As part of the 2019–20 Federal Budget, the Government announced on 2 April 2019, that it will strengthen the ABN system to disrupt Black Economy behaviour.

START DATE
1 July 2021 — income tax lodgment
1 July 2022 — annual confirmation

In particular:

- from 1 July 2021, ABN holders, with an income tax return obligation will be required to lodge their income tax return; and
- from 1 July 2022, ABN holders will be required to confirm annually the accuracy of their details on the ABR.

Source: Budget Paper No. 2 page 13

73 And in order to implement Recommendation 4.2 of the *Black Economy Taskforce Final Report* (released in October 2017) which recommended that the ABN system be strengthened to provide improved confidence in the identity and legitimacy of Australian businesses.

74 See the 2018–19 Federal Budget measure *Black Economy Taskforce — consulting on a new regulatory framework for Australian Business Numbers*.

2019-20 Federal Budget - More funding for the ATO Tax Avoidance Taskforce

KEY POINTS
▪ The Government has announced funding of $1 billion over four years from 2019–20 to extend the operation of the ATO Tax Avoidance Taskforce to: ▪ expand its programs and market coverage; and ▪ increase its scrutiny of specialist tax advisers and intermediaries that promote tax avoidance schemes and strategies. ▪ This measure is expected to have a gain to the Budget of $3.6 billion.

As part of the 2019–20 Federal Budget, the Government announced further funding of $1 billion over four years to extend the operation of the Tax Avoidance Taskforce.

START DATE

Funding over four years from 2019–20

Background

The ATO Tax Avoidance Taskforce (the Taskforce) was established within the ATO as part of the 2015–16 Federal Budget. Initial funding of $679 million was provided to the ATO over four years to enhance its compliance activities targeting large multinationals, large public and private groups, trusts and high wealth individuals.

The Taskforce features the collective efforts of over 1,000 experts including 390 specialised officers. The Taskforce helped to net $5.6 billion in its first two years of operation.[75]

Extension and expansion of the ATO Tax Avoidance Taskforce

The Treasurer announced that the Government will provide $1 billion over four years from 2019–20, including $6.5 million in capital funding, to expand the Taskforce’s programs and market coverage.

The further funding will allow the Taskforce to expand its compliance activities, including increasing its scrutiny of specialist tax advisers and intermediaries that promote tax avoidance schemes and strategies.

This measure is expected to have a gain to the budget of $3.6 billion over the forward estimates period.

Source: Budget Paper No. 2 page 24

[75] ATO. *Tax Avoidance Taskforce helps net $5.6 billion in first two years*. [QC 56966].

2019-20 Federal Budget - Addressing sham contracting

KEY POINTS
▪ The Government has announced that it will establish a sham contracting unit — within the Fair Work Ombudsman — to address sham contracting behaviour engaged in by some employers.
▪ The new unit will focus on employers who knowingly or recklessly misrepresent employment relationships as independent contracts to avoid statutory obligations and employment entitlements.

START DATE
From 2019–20

Background

In its final report to Government[76], the Black Economy Taskforce (the Taskforce) identified sham contracting as a practice that 'unambiguously' contributes to the Black Economy[77], and an area of significant concern which required an urgent and targeted response.[78]

Definition

'Sham contracting' occurs when a standard employment relationship is wrongly presented as an independent contracting arrangement. This can be employer initiated, where the motivation is to avoid having to pay award wages, PAYG withholding, payroll taxes and superannuation contributions.[79]

One of the Taskforce's recommendations to Government was that it ensure adequate resourcing of the Fair Work Ombudsman (FWO), after having identified that the number of FWO inspectors fell 'far short' of what was required to ensure that workers were paid the appropriate wages and other entitlements such as superannuation.[80]

Announcement

As part of the 2019–20 Federal Budget, the Government announced that it will establish a dedicated sham contracting unit within the FWO to address sham contracting behaviour engaged in by some employers.[81]

The sham contracting unit will focus particularly on those employers who knowingly or recklessly misrepresent employment relationships as independent contracts to avoid statutory obligations and employment entitlements.

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76 Titled the *Black Economy Taskforce Final Report — October 2017* (the 'Black Economy Report'), released publicly on 8 May 2018, as part of the 2018–19 Federal Budget.

77 The 'Black Economy' refers to businesses and individuals who operate outside the tax and regulatory system. Businesses and individuals may entirely avoid reporting activities, or they may deliberately under-report income in order to evade their obligations.

78 Black Economy Report, pp. 221 and 231.

79 Black Economy Report, p. 13.

80 Black Economy Report, p. 199.

81 The Government will provide $9.2 million over four years from 2019–20 (and $2.3 million per year ongoing).

It is intended that the unit will more effectively tackle sham contracting by increasing education, compliance and enforcement activities, and dedicating additional resources to investigate and litigate cases.

Source: Budget Paper No. 2 page 147

2019-20 Federal Budget - Tax Integrity - Increasing engagement and on-time payment of tax and superannuation liabilities

KEY POINTS
▪ The Government has announced that it will provide $42.1 million over four years to the ATO to increase activities in recovering unpaid tax and superannuation liabilities.
▪ The focus of these activities will be on larger businesses and high wealth individuals and not small businesses.

As part of the 2019–20 Federal Budget, the Government announced that it will provide $42.1 million over four years to the ATO to increase activities to recover unpaid tax and superannuation liabilities.

START DATE
Not specified

The activities to be conducted will focus on larger businesses and high wealth individuals to ensure on-time payment of tax and superannuation liabilities; they will not extend to small businesses.

Source: Budget Paper No. 2 page 26

2019-20 Federal Budget - Indirect Tax Concession Scheme - Diplomatic, consular and international organisation concessions

KEY POINTS
▪ The Treasurer announced that the Government has granted or extended access to refunds of indirect tax (including GST, fuel and alcohol taxes) under the Indirect Tax Concession Scheme to: ▪ the diplomatic and consular representations in Australia of Sudan, Laos, Mauritius and Samoa; and ▪ the Commission for the Conservation of Southern Bluefin Tuna.

Background

The Indirect Tax Concession Scheme (ITCS) allows diplomatic missions, consular posts and certain international organisations in Australia to claim refunds of GST and other indirect taxes on goods and a limited number of services. The concessions are provided in accordance with Australia's international obligations.

The ITCS is implemented on the basis of reciprocity where a broadly comparable range of tax concessions is granted to Australian overseas missions, posts and accredited staff. The range of goods and services in respect of which missions, posts and accredited staff may seek refunds depends on the nature of the ITCS package agreement with each country represented in Australia.

Announcement

START DATE

A time specified by the Minister for Foreign Affairs

As part of the 2019–20 Federal Budget, the Government announced that it has granted or extended access to refunds of indirect tax (including GST, fuel and alcohol taxes) under the ITCS as follows:

- **new access** to the diplomatic and consular representations of Sudan in Australia;
- **upgraded access** to the Commission for the Conservation of Southern Bluefin Tuna; and
- **extended access** for Laos, Mauritius and Samoa to include construction and renovation relating to their current and future diplomatic missions and consular posts.

Source: Budget Paper No. 2 page 15

2019-20 Federal Budget - Luxury car tax - Increased refunds for eligible primary producers and tourism operators

KEY POINTS
■ The Government has announced that it will increase refunds of luxury car tax (LCT) to farmers and tourism operators.
■ For vehicles acquired on or after 1 July 2019, eligible primary producers and tourism operators will be able to apply for a refund of any LCT paid, up to a maximum of $10,000.

Background

Currently, primary producers and tourism operators may be eligible for a partial refund of luxury car tax (LCT) paid on eligible four-wheel drive or all-wheel drive cars, up to a maximum refund of $3,000.

Announcement

As part of the 2019–20 Federal Budget, the Government announced that — for vehicles acquired on or after 1 July 2019 — eligible primary producers and tourism operators will be able to apply for a refund of any LCT paid, up to a maximum of **$10,000**.

START DATE

Vehicles acquired on or after 1 July 2019

Note

The eligibility criteria and types of vehicles eligible for the current partial refund will remain unchanged under the new refund arrangements.

Source: Budget Paper No. 2 page 18

Related Laws

2019-20 Federal Budget - Social Security one-off energy assistance payment

KEY POINTS

- Recipients who are eligible for qualifying payments on 2 April 2019 and who are resident in Australia will receive a one off energy assistance payment of:
  - $75 for singles
  - $125 for couples ($62.50 per member of a couple)
- ***Qualifying Payments*** include:
  - Age Pension, Carer Payment, Disability Support Pension, Parenting Support Supplement, Veterans' disability payments, War Widow(er)s Pension, and permanent impairment payments under the *Military and Compensation Act 2004* and the *Safety Rehabilitation and Compensation Act 1988*.

The Government will provide $284.4 million over two years to make one-off energy assistance payments of $75 for singles and $62.50 per member of a couple ($125) eligible for qualifying payments on 2 April 2019 and who are resident in Australia.

START DATE

Applicable to residents in Australia who are eligible for qualifying payments on 2 April 2019

Qualifying Payments include:

Age Pension, Carer Payment, Disability Support Pension, Parenting Support Supplement, Veterans' disability payments, War Widow(er)s Pension, and permanent impairment payments under the *Military and the Compensation Act 2004* and the *Safety Rehabilitation and Compensation Act 1988*.

Source: Budget Paper No. 2 page 159

Single Touch Payroll

2019-20 Federal Budget - Single Touch Payroll expansion

KEY POINTS
▪ The Government has announced that it will automate reporting of employment income for social security purposes through STP.
▪ STP data sharing arrangements with the Department of Human Services will reduce risks of overpayment of income support benefits for recipients with employers using STP.
▪ More funding will be provided to the ATO and the Department of Veterans' Affairs to enable greater use of data collected through STP to be shared with Commonwealth Agencies.

As part of the 2019–20 Federal Budget, the Government announced that it will automate the reporting of employment income for social security purposes through Single Touch Payroll (STP).

START DATE

1 July 2020

From 1 July 2020, income support recipients who are employed will report income that is received during the fortnight, rather than calculating and reporting their earnings. Each fortnight, income data received through an expansion of STP data sharing arrangements will also be shared with the Department of Human Services, for recipients with employers using STP.

This change should assist in reducing the likelihood of receiving overpayments of income support payments with the subsequent need to repay such overpayments.

STP expansion

The Treasurer also announced that the Government would provide $82.4 million over four years from 2019–20 to the ATO and the Department of Veterans' Affairs to support the expansion of data collected through STP by the ATO and the use of this data by Commonwealth agencies.

Source: Budget Paper No. 2 page 158 and page 170