Federal Budget 2022-23

TaxBanter

25 October 2022

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Introduction

The Albanese Labor Government's first Budget

The Federal election on 21 May 2022 ushered in a Labor Government promising a better future.[1] Disdaining the 'all announcement no delivery' style of government which was so characteristic of Scott Morrison's government[2], Mr Albanese promised that if he won the election 'the work of building that better future will start the very next day.'[3]

A better future

The promised better future included 154 commitments including[4, 5]:

Medicare, medicines and NDIS	Making it easier to see a doctor and cutting the cost of medicines and improving access to the NDIS
Jobs and skills Australia — Investing in the skills of our people	Identifying skills gaps and then connecting a fee-free TAFE and training with good jobs and growing businesses
Cheaper childcare	Making it easier for working families to get ahead
A National Reconstruction Fund	Working with business to invest in manufacturing and renewables to make things in Australia again
A Powering Australia plan	Seizing the opportunities of climate action to create jobs and boost industry

The cost of such commitments is estimated at $40.1 billion over the four years to 2025–26.[6]

Another key election pledge was to get real wages growing after decades of stagnation.[7, 8]

1 The Labor Government holds 77 of the 151 seats in the House of Representatives.

2 Anthony Albanese Address to the National Press Club 18 May 2022

3 Mr Albanese was sworn in as Prime Minister on 23 May 2022.

4 Speech by Anthony Albanese Vote for a better future on 1 May 2022; Parliamentary Budget Office. 2022 Election commitments report

5 Sarah Martin Labor's election pitch: five key policies unveiled at party's campaign launch in *The Guardian* Australian edition 1 May 2022.

6 Parliamentary Budget Office. 2022 Election commitments report.

7 In his online speech The Labour Market and Monetary Policy the Governor of the Reserve Bank of Australia (RBA), Philip Lowe, observed on 8 July 2021 that the positive surprises on the unemployment rate were not matched with equivalent surprises on wages and prices — the wage price index increased by just 1.5% over the previous year. Inflation at that time was also low.

8 Ronal Mizen , Economic correspondent for the *Australian Financial Review* explains it this way in Why a huge jump in wages worries the RBA: 'Over the past two decades, real wages have been mostly positive. Of the 92 calendar quarters since June 1999, annual real wages grew on 69 occasions, declined on 19 occasions and were zero on four occasions. The reason pay rises are dominating the national conversation is because in the 2020–21 financial year, real wages took the largest step backwards since the GST was introduced in July 2000.'

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

The tradition of treating election promises as sacrosanct has been flouted numerous times, and election promises have been broken many times before and after Paul Keating's famous L-A-W promise.[9] John Howard's 'No, there's no way that a GST will ever be a part of our policy'[10] was followed by Julia Gillard's 'there will be no carbon tax under the government I lead' and then Tony Abbott's 'there will be no new taxes' before he introduced the Budget Deficit Levy. Moreover, most politicians vying for the top position routinely promise responsible government and a budget that is back in surplus. Budget surpluses have been elusive since 2007–08. Some politicians survive the electorate's displeasure over broken promises, others do not.

Mr Albanese promised 'I will lead a government that keeps its promises. I will be determined to bring the country together rather than divide it.'[11]

Based on what has already been revealed in the news, this Labor Government's first budget is expected to be a responsible solid sensible family friendly Budget [12] helped by the unexpected higher government 'windfall' receipts[13] resulting from higher commodity prices and producers' profits. As in the past, wars and disasters in other countries which affect global supplies of commodities and natural resources have worked in Australia's favour, but Australia will also be affected by the impending global recession that many economists are predicting.

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9 The L-A-W promise refers to tax cuts promised by the Labor government in the lead up to the 1993 election — and described by Paul Keating at a National Press Club function as L-A-W — were delivered in two tranches, the first of which delivered only half of the promised cuts and the second tranche was paid into superannuation.

10 This statement has been more often described as a lie rather than a broken promise possibly because when challenged on that statement, Mr Howard replied 'Never ever. It's dead. It was skilled by the voters in the last election.'

11 An address by the Opposition Leader Anthony Albanese to the Lowy Institute on 4 March 2022.

12 The Treasurer, Jim Chalmers' interview with Andrew Probyn: ABC news.
https://ministers.treasury.gov.au/ministers/jim-chalmers-2022

13 Estimated by Chris Richardson to be about $100 billion over the forward estimates. Deloitte's forecast is $114.4 billion. Tax collections are expected to be about 24 per cent of GDP compared to the Morrison Government's pledged 24 per cent of GDP: John Kehoe in Tax jackpot on mining windfall, but deficit is deep-rooted in *Financial Review* 19 September 2022.

Runs on the board

In May 2022 Mr Albanese 'absolutely' supported a 5.1 per cent minimum wage increase to keep pace with inflation which at that time was predicted to reach 6 per cent by year's end.[14] The Fair Work Commission, following its Annual Wage Review 2021–22, increased the National Minimum Wage by $40 per week which amounts to an increase of 5.2%.[15] Such increases notwithstanding, the Treasurer acknowledges that real wages are falling because inflation is higher and likely to be more persistent than expected.[16, 17]

Mr Albanese also promised that Labor would put forward legislation for a National Anti-Corruption Commission (NACC) before this year is over. The National Anti-Corruption Commission Bill 2022 was introduced into the House of Representatives on 28 September 2022. The Bill has been referred to the joint Select Committee on National Anti-Corruption Commission Legislation which is due to report on 10 November 2022.

The controversial stage 3 tax cuts

The stage 3 tax cuts — the third phase of the Morrison government's tax cuts[18] — which have been legislated and are due to commence on 1 July 2024 have been very topical recently with diverse views about whether they should be modified or repealed, especially since the latest Treasury costing of the policy 'jumped from $243bn over a decade to $254bn.

The stage 3 tax cuts will abolish the 37% marginal tax rate and reduce the 32.5% rate to 30%. This means that the marginal tax rate for taxpayers earning between $45,000 and $200,000 will be 30%. The top marginal rate of 45% would apply to income above $200,000.[19]

The tax cuts had the support of the Labor Government so a reversal would be politically unpalatable at this stage and in any case 'there [are] more pressing priorities to be addressed by the budget and there is still time until 2024 to deal with the tax cuts.[20]

The Treasurer has repeatedly said that the first Budget will be a run-up to any changes that are contemplated: 'if you want to make big changes in the Budget you need to have a run-up, you need to explain them to people, you need to make sure that you're bringing people along on the journey.'[12]

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14 Paul Karp Election 2022: Anthony Albanese backs 5.1% minimum wage rise to keep pace with inflation in *The Guardian* Australia edition 10 May 2022.

15 The increase took effect from the first pay period on or after 1 July 2022 for the National Minimum Wage and minimum wages for all awards other than 10 awards in the aviation, tourism and hospitality sectors which increased from 1 October 2022.

16 This is said to be in contrast to the previous Government's policy which was that wage stagnation was a deliberate design feature of their economic policy.

17 Economist, Chris Richardson in Chalmers may be set to pull a rabbit from the budget hat in the *Financial Review* 12 September 2022 reported that 'the Reserve Bank's own estimate is that inflation-adjusted wages are well on their way to dropping back to levels last recorded in 2008.'

18 The first stage introduced a low-and-middle income tax offset (LMITO) of up to $1,080 for taxpayers earning between $30,000 and $126,000. The second stage tax cuts were brought forward to 1 July 2020 and increased the threshold at which the 32.5% tax rate applies from $37,001 to $45,001 and increased the threshold at which the 37% rate applies from $90,001 to $120,001.

19 These rates exclude the Medicare levy.

20 Statement by the Treasurer Jim Chalmer as reported by Catie McLeod in Cost of stage 3 tax cuts blows out to more than $250bn

With the bigger changes in mind, the Government has brought the production of the Intergenerational Report, which was scheduled for 2026, forward to 2023. The intergenerational reports examine the long-term sustainability of current policies and how demographic, technological and other structural trends may affect the economy and the budget.[21]

The Coalition's unfinished business

Scott Morrison's time as Prime Minister, 3 years and 272 days, was longer than any of the prime ministers in office since Rudd defeated Howard in 2007.[22] During his time in office Morrison did not reveal a discernible signature policy such as, for example Rudd's economic stimulus packages which saved Australia from the GFC[23] and later, carbon pollution reduction, Gillard's NDIS, or Turnbull's same sex marriage legislation. The federal anti-corruption commission which he pledged, before the 2019 federal election, to establish never eventuated.[24] The controversial Religious Discrimination Bill was shelved because it lacked support even among the members of his own party.[25]

Mr Albanese's description of the previous government's legacy of nearly four years in government as 'all announcements, no delivery' may have seemed overly harsh given that in the period from 23 March 2020[26] to 24 August 2020 Parliament was suspended due to the COVID pandemic.[27]

But the Parliament sitting calendar for 2022 of only 10 sitting days before August prompted Labor member Ed Husic to give voice to what many were thinking in the lead up to the election: 'It's all talk, no action and I've never seen, I have to say, a Liberal party so focused on winning and gaining power and then doing nothing with it when they get in.'[28]

When the 46th Parliament was dissolved on 11 April 2022, 250 Bills before Parliament lapsed and are therefore not proceeding unless re-introduced.[29, 30]

Lapsed Bills

The following Bills which lapsed when Parliament was dissolved have been reintroduced as indicated below or have yet to be reintroduced[30].

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21 The most recent Intergenerational Report was produced in 2021 and is available here: https://treasury.gov.au/publication/2021-intergenerational-report

22 Kevin Rudd 2 years 286 days; Julia Gillard 3 years 3 days; Tony Abbott 1 year 362 days; Malcolm Turnbull 2 years 343 days.

23 Scott Morrison's time as Prime Minister was during the pandemic.

24 Katherine Murphy Scott Morrison effectively ditches his promise to establish a federal anti-corruption commission in the Guardian Australian edition 13 April 2022.

25 Some commentators argued that the effect of the Bill would be to enshrine a right to discriminate against others. See Article by Prof. Lucas Lixinski, UNSW Australian Human Rights Institute Explainer: What happened to the Religious Discrimination Bill?

26 The then government suspended all sittings from 23 March until 24 August 2020, but was able to schedule limited sittings to pass some of the major coronavirus stimulus packages like JobKeeper.

27 The sitting calendar for 2021 shows that there were 52 days when both Houses were sitting.

28 Sarah Martin Coalition's proposed parliamentary calendar has just 10 sitting days in first half on 2022 in *The Guardian* Australia edition 29 November 2021.

29 There were 481 Bills introduced by the Government during the 46th Parliament, 2 July 2019 to 25 July 2022.

30 There is no provision for bills to be carried over from Parliament to Parliament. But, it is possible for proceedings on a bill interrupted by prorogation to be resumed and proceeded with in both Houses as if its passage had not been interrupted by a prorogation. For a detailed description of the Parliamentary procedures when a bill lapses see: Parliament of Australia. Lapsed bills

Treasury Laws Amendment (2021 Measures No. 7) Bill 2021	Proposed to extend the Taxable Payments Reporting System to the sharing economy (including ride-sourcing and short-term accommodation) and to remove the $250 non-deductible threshold for work-related self-education expenses — now included in *Treasury Laws Amendment (2022 Measures No. 2) Bill 2022*
Treasury laws Amendment (2020 Measures No. 4) Bill 2020	Proposed to make refunds of large scale generation shortfall charges NANE income; and to facilitate the closure of the Superannuation Complaints Tribunal[31]
Treasury Laws Amendment (Enhancing Tax Integrity and Supporting Business Investment) Bill 2022	Proposed to insert the Patent Box regime as new Div 357 of the *ITAA 1997*
Treasury Laws Amendment (Streamlining and improving economic outcomes for Australian) Bill 2022	Proposed to enable SBEs to apply to the Small Business Taxation Division of the Tribunal for an order staying operation or implementation of decisions of the Commissioner that are being reviewed by the Tribunal — now included in *Treasury Laws Amendment (2022 Measures No. 2) Bill 2022*
Treasury laws Amendment (Modernising Business Communications) Bill 2022	Proposed to amend the *Corporations Act 2001* to, among other things: ▪ allow all documents to be signed or executed electronically; ▪ allow certain additional categories of documents to be sent electronically; ▪ amend the criteria with which an entity must comply before it is relieved from its obligations to provide a document to a member.

Federal Budget March 2022–23 tax measures

The tax measures announced by the previous Government in its last federal Budget 2022–23 on 29 March 2022 and which had bipartisan support may be re-introduced into Parliament by the new Government. Some of these measures, listed below, had bipartisan support and consultation has continued on exposure draft legislation. Other measures, particularly those relating to reporting and processing which have a deferred start date, and commitments to additional funding (e.g. insolvency reforms and extension of the ATO Tax Avoidance Taskforce[32]) may well proceed.

[31] The closure of the Superannuation Complaints Tribunal was included in the *Treasury Laws Amendment (2022 Measures No. 1) Bill 2022* which received Royal Assent on 9 August 2022 as Act No. 35 of 2022.

[32] Other funding commitments included Skills development and growing Australia's workforce — Apprenticeships and initiatives on the Women's Budget Statement.

Proposed measure	Current status
Small business technology boost — a bonus 20 per cent tax deduction for eligible expenditure incurred between 7.30 pm (AEDT) on 29 March 2022 and 30 June 2023 on expenses and depreciating assets that support digital operations[33]	Consultation on Draft legislation Treasury Laws Amendment (Measures for consultation) Bill 2022: technology investment boost closed on 19 September 2022.
Small business skills and training boost — a bonus 20 per cent tax deduction for eligible expenditure incurred between 7.30 pm (AEDT) on 29 March 2022 and 30 June 2024 on external training delivered to employees by providers registered in Australia	Consultation on Draft legislation Treasury Laws Amendment (Measures for Consultation) Bill 2022: skills and training boost closed on 19 September 2022
Patent box expansion — proposed Div 357 of the *ITAA 1997*	Bill implementing this lapsed
Reducing regulatory burden for Australia's foreign investment framework	Implemented by the *Foreign Acquisitions and Takeovers Amendment Regulations 2022*[34]
Strengthening the Australian Business Number System	Deferral of a measure announced in the 2019–20 Budget
Modernisation of PAYG instalment systems — allowing companies to pay their PAYG instalments based on current financial performance	Due to commence from 1 January 2024
Digitalising trust income reporting and processing	

The status of the following proposed measures is not known at this stage:

- Expansion of the Home Guarantee Scheme
- Concessional tax treatment for primary producers generating revenue from carbon credit units and biodiversity certificates
- Extending income tax exemption to wholly owned Australian incorporated subsidiaries of the Future Fund
- Another eight long-forgotten proposals — some announced as far back as the 2013–14 MYEFO — will not proceed: see the Budget Summary for the list of these items.

[33] The bonus deduction is expected to apply to the total of eligible expenditure of up to $100,000 per income year or specified time period, up to a maximum bonus deduction of $20,000 per income year or specified time period.

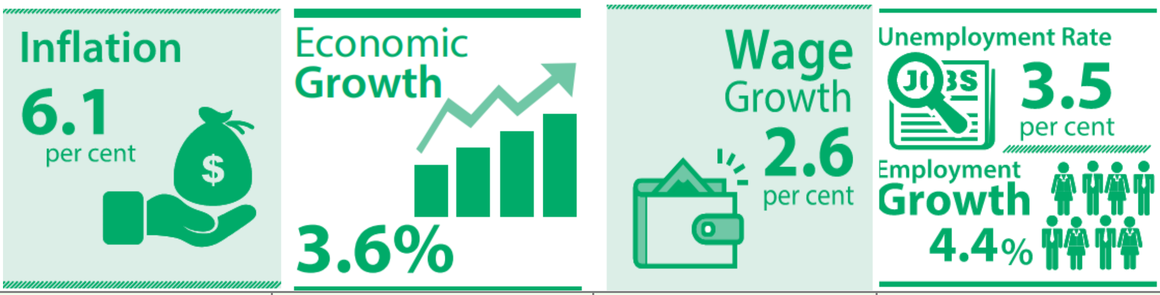
[34] Note also that the *Foreign Acquisitions and Takeovers Fees Imposition Amendment (Fee Doubling) Regulations 2022* (F2022L00999) doubles the amount of fees worked out for the purposes of the Act that become payable on or after 29 July 2022.

RBA snapshots of the economic landscape

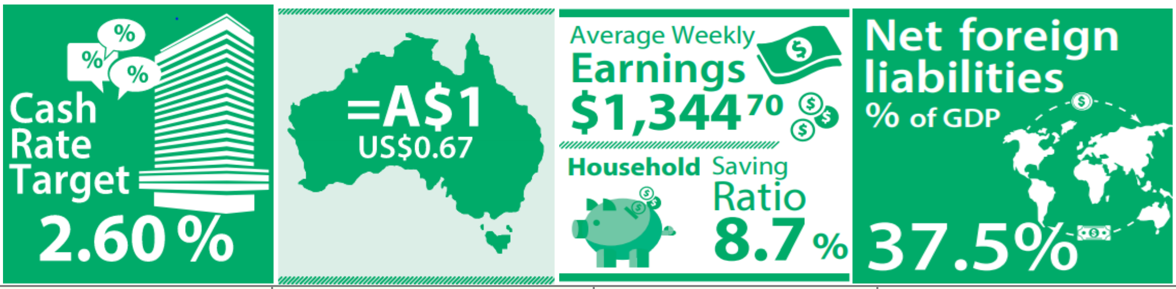
At 10 October 2022

Reserve Bank of Australia snapshots of the Australian economy — at 10 October 2022

Economic indicators



March 2021 1.1%	1.5%	1.5%	5.7% / 0.4%
March 2022 5.1%	3.3%	2.4%[35]	3.9% / 3.0%

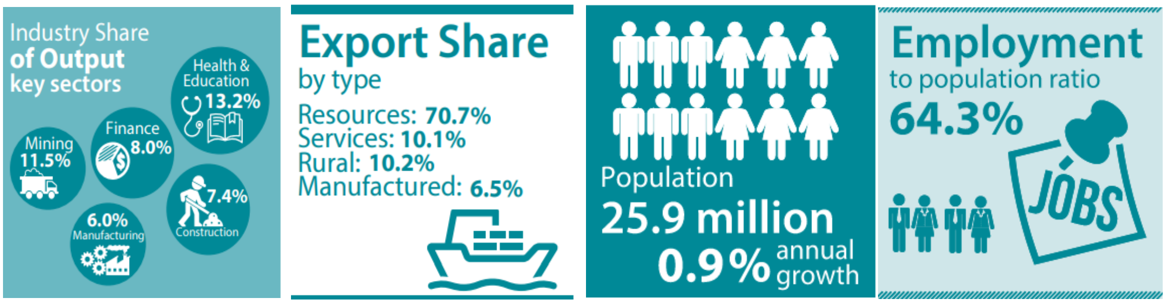


March 2021 0.10%	US$0.77	$1,305.80 / 13.6%	46.6%
March 2022 0.10%	US$0.74	$1,344.70 / 11.1%	38.3%

35 There is some doubt about the reliability of this statistic. As pointed out by David Taylor in [Where did the RBA find evidence of wage growth?] ABC News, posted 21 June 2022.

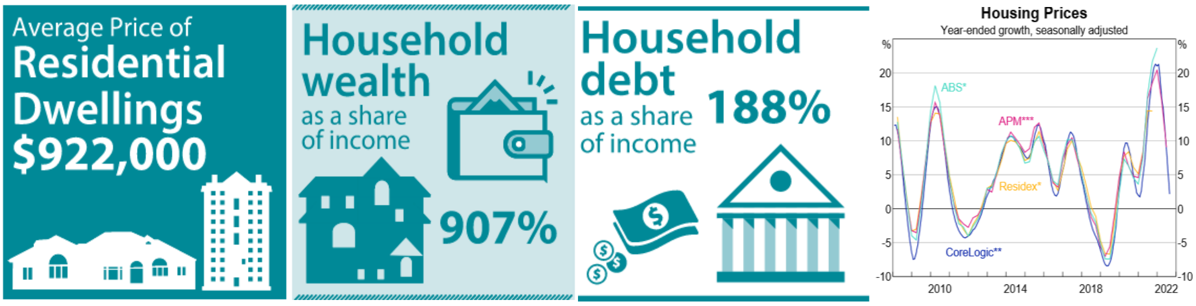
Reserve Bank of Australia snapshots of the Australian economy — at 10 October 2022

Composition of the Australian economy[36] — 10 October 2022



June 2021 Mining 11.5% Manufacturing 6.0% Construction 7.4% Finance 8.0% Health/Educ 13.2%	**June 2021** Manufactured 7.7% Resources 67.1% Rural 10.4% Services 12.2%	**March 2021** 25.8m / 0.5% **March 2022** 25.8m / 0.5%	**March 2021** 62.6% **July 2022** 64.2%

Some household statistics



March 2021 $786,000 **March 2022** $942,000	**March 2021** 841% **March 2022** 955%	**March 2021** 179% **March 2022** 187%	**March 2021** n/a **March 2022** n/a

Key information leading up to the 2022–23 October Federal Budget

Since the last Federal Budget which was released by the then Treasurer Josh Frydenberg on 29 March 2022 we have had the Pre-election Economic and Fiscal Outlook 2022 which was released on 20 April 2022. The Final Budget Outcome for 2021–22 financial year was released on 28 September 2022.

[36] RBA. Composition of the Australian Economy 8 September 2022

	$billion			Forecasts[37] ($billion)		
	Actual 2020–21	**Estimate[38] 2021–22**	**Actual 2021–22**	**Budget 2022–23**	**Budget 2023–24**	**Budget 2024–25**
Underlying cash position[39]	($134.2)	($79.8)	($32.0)	($36.9)	($44.0)	($51.3)
Economic growth						
Real GDP	1.4%	4.25	3.9%	3.25%	1.5%	2.25%
Nominal GDP	4.1%	10.75%	11.0%	8%	(1.0%)	4.25%
Unemployment rate	5.00%	4.0%	3.8%	3.75%	4.5%	4.5%
CPI — inflation	3.8%	4.25%	6.1%	5.75%	3.5%	2.5%
Net debt	592.2	631.5	515.6	572.2	634.1	702.8

The improvement in the actual outcomes for 2021–22 over the estimates at March 2022 are attributed to higher than expected receipts and lower than expected payments:

Higher than expected due to …

- higher company and personal taxation receipts
- stronger commodity prices
- stronger employment outcomes

Lower than expected due to …

- temporary reduction in demand for some health and NDIS services
- delays in the contracting of COVID-19 spending
- the impact of supply chain disruptions
- capacity constraints on road and rail infrastructure projects and other spending

The economic challenges

Within weeks of the election, Treasury Secretary, Steven Kennedy, was telling business economists[40] that his focus with the new treasurer, Jim Chalmers, would be on ensuring sustainable spending and taxing behaviour. Inflation risks, a $1 trillion debt, a tax system under pressure, the permanent increase in the size of government[41] by virtue of spending on the NDIS, aged care and defence were all putting pressure on the budget.

37 2022–23 Budget paper No. 1 at page 6.

38 This was the estimate at the 2022–23 March 2022 Budget.

39 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.

40 Address to the Australian Business Economists reported by John Kehoe in the *Financial Review* 8 June 2022

41 Government payments as a share of GDP are expected to average 26.4 per cent over the next decade compared to 24.8 per cent in decades before the pandemic.

On a positive note, the windfall receipts from higher commodity prices will ease the pressure on the Budget. The former Government committed to maintain tax receipts at or below a cap of 23.9% of GDP[42], Labor has no policy to change the tax cap, although Jim Chalmers took the view — before the election — that Labor would not adopt a tax-to GDP ratio, which forces a government to cut taxes whenever the cap is reached.

This means that the higher than expected receipts from the commodity and resources boom will not be spent on easing cost-of living pressures on households.

Inflation presents a significant problem because welfare payments are indexed to inflation. Moreover, rising interest rates which are intended to reduce inflation also present a problem for Government — rising interest rates have caused the welfare bill to increase by about $33 billion over the next four years. Not to mention the cost of servicing our spiralling national debt.[43]

What we already know

- The low and middle-income tax offset (LMITO) which is set to cease from 1 July 2023 will not be extended. The Low Income Tax Offset (the LITO) of $700 — which applied concurrently with the LMITO only in the 2020–21 and 2021–22 income years — is available to Australian resident individuals (or certain trustees) if their taxable income for the relevant income year does not exceed $66,667.
- Expansion of paid parental leave — 26 weeks paid parental leave for couples with earnings of up to $350,000 and allowing mothers and fathers to share the entitlement.
- Trimming spending by cutting billions[44] from:
  - the previous government's planned infrastructure spending and grants progams (including the infamous Commuter Carparks Fund)
  - labour hire in the public service and spending with 'the big four' consulting firms
  - Government advertising, travel and legal expenses.
- Ramping up multinational tax reform and tax compliance — the ATO's tax avoidance taskforce is expected to collect at least $3 billion in extra revenue.[44]
- Although inflation is set to get worse before it gets better, the Treasurer has ruled out extra cost-of-living relief even though the coffers are awash with windfall receipts — this is because forecast economic growth is expected to decline from 3.25 per cent for this financial year to 1.5 per cent in 2023–24 which is even lower than the figure of 2.5 per cent which was forecast in the Pre-election Economic and Fiscal Outlook 2022 which was released on 20 April 2022 — see earlier Key Information table.[45]

If, as various economists have predicted, there is a global recession next year and the tough times are ahead of us, then we can expect a very savage May 2023 budget. If we do have another economic or financial crisis we are unlikely to get a repeat of the cash splash that was Jobkeeper/Jobseeker (i.e. during the COVID-19 pandemic).

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42 Australia' nominal GDP in 2021–22 was $2.3 trillion.

43 Cian Hussey and Kurt Wallace. IPA. *Selling Australia's Future: Why Government debt matters and how to return to surplus January 2021* reports that 'Between 2007-08 and 2020-21, Commonwealth debt per person increased over ten-fold, from $3,260 to $33,130 in real terms.'

44 Tom McIlroy in What we know about Tuesday's budget so far in the *Financial Review* 24 October 2022 puts the figure as $21 billion over fours years.

45 Philip Coorey GDP growth to plummet next year as cost of living bites in the *Financial Review* 23 October 2022.

Federal Budget summary October 2022

Measures and start dates at a glance

Budget measure	Application date
General	
Clarifying that digital currencies are not taxed as foreign currency	From income years that include 1 July 2021
Deferring start date for sharing economy reporting regime for: ▪ supply of ride sourcing and short-term accommodation ▪ other reportable transaction	 1 July 2023 1 July 2024
Eight previously announced measures not proceeding — including changes to the debt/equity rules; $10,000 cash payment limit; regulatory framework for limited partnership collective investment vehicles and annual audit requirements for certain SMSFs	Measures not proceeding
Deductions	
Self-assessing the effective life of intangible assets	Measure not proceeding
Previously announced technical amendments to the TOFA rules	Start date deferred to income year commencing on or after Royal Assent
Businesses	
Making specified COVID-19 business grants NANE income	Qualifying grants received in the 2020–21 and 2021–22 income years
Funding for small business supports — Jobs and Skills Summit; to support business employers implement paid family and domestic violence leave; and the Small Business Debt Helpline and New Access for Small Business Owners program	From various dates in the 2022–23 income year
Companies	
Alignment of the tax treatment of off-market share buy-backs undertaken by listed public companies with the treatment of on-market share buy-backs	From 7.30 pm AEDT, 25 October 2022

Budget measure	Application date
International	
Amending Australia's interest limitation (thin capitalisation) rules	Income years commencing on or after 1 July 2023
Anti-avoidance rule preventing significant global entities claiming tax deductions for payments made directly or indirectly to related parties for intangibles held in low- or no-tax jurisdictions	Payments made on or after 1 July 2023
Tax transparency reporting requirements for SGEs, Australian public companies and certain tenderers for Australian Government contracts	Income years commencing on or after 1 July 2023
Australia-Iceland Tax Treaty	Will enter into force after both countries have completed domestic requirements and exchanged instruments of ratification
Fringe Benefits Tax	
Electric car discount — FBT and import tariff exemption for certain battery, hydrogen fuel cell and plug in hybrid vehicles	Fringe benefits provided on or after 1 July 2022 for eligible cars first held and used on or after 1 July 2022
Superannuation	
Minimum age for downsizer contributions reduced from 60 to 55 years	Downsizer contributions made on or after the first day of the first quarter after the day of Royal Assent
Previously announced relaxing of residency requirements for SMSFs	Start date deferred to income year commencing on or after Royal Assent
Compliance	
Extension of the ATO's Personal Income Taxation Compliance Program for two years	From 1 July 2023
Extension of the existing ATO Shadow Economy Program for a further three years	From 1 July 2023
ATO Tax Avoidance Taskforce — increased funding and extension for a further year	Boosted funding from 1 July 2022 One year extension from 1 July 2025
Increased funding for the Tax Practitioners Board to undertake compliance investigations	Four years from 1 July 2023
Increase in Commonwealth penalty unit amount from $222 to $275	From 1 January 2023

Budget measure	Application date
Other taxes	
Heavy vehicle road user charge increased from 26.4 to 27.2 cents per litre	From 29 September 2022
Related laws	
Australia's foreign investment framework — Doubling of fees and penalties for applications relating to residential property	Fees doubled from 29 July 2022 Penalties double from 1 January 2023
Modernising business registers — additional funding for ATO and ASIC	From the 2022–23 income year
Women's Budget Statement — funding for various measures regarding women's economic security, ending violence, and gender equality, health and wellbeing	Various dates mainly from the 2022–23 income year
Cheaper child care — Increases to the maximum Child Care Subsidy, the family income eligibility threshold and the rate for families earning les that the threshold	From the 2022–23 income year
Paid Parental Leave — extension and increased flexibility	Most changes from 1 July 2023 Expansion to 26 weeks to be phased in over two years from 1 July 2024.

Budget measures

General

2022-23 October Federal Budget - Clarifying that digital currencies are not taxed as foreign currency

KEY POINTS
▪ The Government has announced that it will amend the Tax law to exclude crypto assets, such as Bitcoin, from being treated as a 'foreign currency' for income tax purposes.
▪ Proposed to commence from income years that include **1 July 2021**.
▪ On 6 September 2022, the Government released exposure draft legislation which proposes to amend the *ITAA 1997* and the *GST Act* to give effect to the proposed change.

As part of the October 2022–23 Federal Budget, the Government announced that it will introduce legislation to clarify that digital currencies — such as Bitcoin — continue to be excluded from the Australian income tax treatment of foreign currency.

START DATE

From income years that include 1 July 2021

Announcement

The Government will amend the Tax law to exclude crypto assets from being treated as a 'foreign currency' for income tax purposes.

Background

The Legislative Assembly of the Republic of El Salvador recognised Bitcoin as an unrestricted legal tender by legislative decree which took effect on 7 September 2021. This decision has the potential to create uncertainty about the status of crypto assets such as Bitcoin for tax purposes in Australia as Bitcoin may be a 'foreign currency' for the purposes of the *ITAA 1997* due to its status as a legal tender in El Salvador.

This is inconsistent with current policy intent. Bitcoin and other similar digital currencies were never intended to be foreign currencies for Australian income tax purposes.

On 6 September 2022 the Government released exposure draft legislation titled *Treasury Laws Amendment (Measures for Consultation) Bill 2022: Taxation treatment of digital currency* (the draft Bill) which proposes to exclude crypto assets from being treated as a 'foreign currency' for Australian income tax purposes. The release of the draft Bill followed the Government's media release dated 22 June 2022 announcing the proposed amendments.

The draft Bill

The draft legislation relies on amending the existing definition of *digital currency* in the *GST Act* before adopting it as an exclusion from the definition of *foreign currency* in the *ITAA 1997*. To achieve this, the draft Bill proposes to:

- amend the definition of foreign currency in the *ITAA 1997* to exclude digital currencies

- amend the *GST Act* definition of digital currency to ensure it excludes government-issued digital currencies and includes digital currencies that are not government-issued but have been adopted as a legal tender
- amend the *ITAA 1997* to include a power to make regulations to provide for further exclusions from the definition of foreign currency in the *ITAA 1997*.

Source: Budget Paper No. 2 page 11;
Treasury Laws Amendment (Measures for Consultation) Bill 2022: Taxation treatment of digital currency; and Treasurer's joint Media Release: Crypto not taxed as foreign currency, dated 22 June 2022

2022-23 October Federal Budget - Certainty on unlegislated tax and superannuation measures

KEY POINTS

▪ The Government has provided certainty on legacy tax and superannuation measures that were announced, but not legislated, by the previous government.
▪ Eight measures which will **not** proceed include:
  ▪ changes to the debt/equity rules
  ▪ proposed limit of $10,000 on cash payments to businesses
  ▪ a new tax and regulatory framework for limited partnership collective investment vehicles
  ▪ changes to the annual audit requirement for certain SMSFs.
▪ Proposed start dates for the introduction of a sharing economy reporting regime have been deferred to:
  ▪ **1 July 2023** for transactions relating to the supply of ride sourcing and short-term accommodation
  ▪ **1 July 2024** for all other transactions including but not limited to asset sharing, food delivery and tasking-based services.
▪ A start date of the income year commencing on or after the date of Royal Assent of the enabling legislation is proposed for:
  ▪ the relaxing of residency requirements for SMSFs
  ▪ technical amendments to the TOFA regime.

START DATE
Various start dates deferred

The Government has announced in its October 2022–23 Federal Budget, that it has reviewed legacy tax and superannuation measures that were announced by the previous Government but have not been legislated.

The following eight measures will not proceed:

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

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

	Start date	
Previously announced proposal	Original	New
Introduction of a sharing economy reporting regime for: ▪ transactions relating to the supply of ride sourcing and short-term accommodation ▪ all other reportable transactions (including but not limited to asset sharing, food delivery and tasking-based services)	1 July 2022 1 July 2023	1 July 2023 1 July 2024[46]
Proposals announced in the 2021–22 Budget: ▪ Proposed relaxing of residency requirements for SMSFs	1 July 2022	Income year commencing on or after the date of Royal Assent of enabling legislation
▪ Technical amendments to the TOFA rules	1 July 2022	

Source: Budget Paper No. 2 page 18

[46] See Schedule 2 to the *Treasury Laws Amendment (2022 Measures No 2) Bill 2022* which was introduced into Parliament on 3 August 2022.

2022-23 October Federal Budget - Self-assessing effective life of intangible depreciating assets - Not proceeding

KEY POINTS
▪ The Government has announced that it will not proceed with the former Government's proposal to allow taxpayers to self-assess the effective life of intangible depreciating assets for which the effective life is currently prescribed by statute.
▪ The effect of this change is that effective lives of the relevant intangible depreciating assets will continue to be set by statute.

As part of the October 2022–23 Federal Budget, the Government announced that it will not proceed with the proposed measure to allow taxpayers to self-assess the effective life of intangible depreciating assets.

Background

Under the current law, a taxpayer cannot self-assess or reassess the effective life of the following intangible depreciating assets for which the effective life is prescribed in s. 40-95(7) of the *ITAA 1997*:

Intangible asset	Effective life
Standard patent	20 years
Innovation patent	8 years
Petty patent	6 years
Registered design	15 years
Copyright (except copyright in a film)	The shorter of 25 years from acquisition or the period until the copyright ends
In-house software	5 years (unless allocated to a software development pool)

The former Government announced as part of the 2021–22 Budget that it would amend the Tax law to allow taxpayers to choose to self-assess the effective life of certain intangible assets, rather than being required to use the effective life currently prescribed by statute. The measure was proposed to apply to eligible intangible assets acquired from 1 July 2023.

On 9 February 2022 the former Government introduced the *Treasury Laws Amendment (Enhancing Tax Integrity and Supporting Business Investment) Bill 2022* into Parliament. The Bill lapsed at the dissolution of Parliament before the 2022 Federal election.

Announcement

The Government will not proceed with the proposed measure to allow taxpayers to self-assess the effective life of certain intangible depreciating assets. This reversal will maintain the status quo — effective lives of intangible depreciating assets will continue to be set by statute. This is intended to avoid the potential integrity concerns with the previously announced measure and contribute to budget repair.

Source: Budget Paper No. 2 page 10

2022-23 October Federal Budget - Making COVID-19 business grants NANE income

KEY POINTS
▪ The Government has announced that a further 13 State and Territory COVID-19 business grants have been declared eligible for non-assessable non-exempt (NANE) treatment. ▪ The NANE treatment applies to qualifying grants received in the 2020–21 and 2021–22 income years.

As part of the October 2022–23 Federal Budget, the Government announced that it has made a further 13 State and Territory COVID-19 grant programs eligible for non-assessable non-exempt (NANE) treatment, which will exempt eligible businesses from paying tax on these grants.

APPLICATION

Grants received in the 2020–21 and 2021–22 income years

Background

Section 59-97 of the *ITAA 1997* provides that a COVID-19 business support payment is NANE income if it meets certain criteria:

- the payment must be received under a grant program administered by a State or Territory, or an authority of a State or Territory
- the grant must be announced on or after 13 September 2020
- the taxpayer must receive the payment in the 2020–21 or 2021–22 income year.

The grants which have been declared eligible for NANE treatment — including the grants listed in the Budget announcement — are listed in the following legislative instruments:

- *Income Tax Assessment (Eligible State and Territory COVID-19 Economic Recovery Grant Programs) Declaration 2020*
- *Income Tax Assessment (Eligible State and Territory COVID-19 Economic Recovery Grant Programs) Amendment Declaration (No. 1) 2021*
- *Income Tax Assessment (Eligible State and Territory COVID-19 Economic Recovery Grant Programs) Amendment Declaration (No. 2) 2021*
- *Income Tax Assessment (Eligible State and Territory COVID-19 Economic Recovery Grant Programs) Amendment Declaration (No. 3) 2022*
- *Income Tax Assessment (Eligible State and Territory COVID-19 Economic Recovery Grant Programs) Amendment Declaration (No. 4) 2022*.

Announcement

The Government has made the following COVID-19 grant programs eligible for NANE treatment:

- Victoria:
  - Business Costs Assistance Program Four — Construction
  - Licenced Hospitality Venue Fund 2021 — July Extension
  - License, Hospitality Venue Fund 2021 — Top Up Payments
  - Business Costs Assistance Program Round Two — Top Up
  - Business Costs Assistance Program Round Three
  - Business Costs Assistance Program Round Four
  - Business Costs Assistance Program Round Five
  - Impacted Public Events Support Program Round Two
  - Live Performance Support Program (Presenters) Round Two
  - Live Performance Support Program (Suppliers) Round Two
  - Commercial Landlord Hardship Fund 3
- Australian Capital Territory:
  - HOMEFRONT 3
  - Small Business Hardship Scheme.

Source: Budget Paper No. 2 page 14

2022-23 October Federal Budget - Small business supports

KEY POINTS

- The Government has announced funding for initiatives to support small business owners:
  - $15.1 million over two calendar years from 1 January 2023 to 31 December 2024 for the Small Business Debt Helpline and the New Access for Small Business Owners program
  - $76.4 million over four years from the 2022–23 income year for outcomes from the Jobs and Skills Summit to help build a bigger, better trained and more productive workforce and boost real wages and living standards
  - $3.4 million over four years from the 2022–23 income year targeting the needs of small business employers to support the implementation of the Government's election commitment to legislate ten days of paid family and domestic violence leave.

As part of the October 2022–23 Federal Budget, the Government announced that it will provide funding for a variety of measures supporting small businesses.

START DATE

Various

Outcomes of the Jobs and Skills Summit

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

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

Paid family and domestic violence Leave — small business assistance

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

Supporting small business owners

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

Source: Budget Paper No. 2 pages 82-83, 102 and 193

Companies

2022-23 October Federal Budget - Improving the integrity of off-market share buy-backs

KEY POINTS
▪ The Government has announced that it will improve the integrity of the tax system by aligning the tax treatment of off-market share buy-backs undertaken by listed public companies with the treatment of on-market share buy-backs.
▪ This measure will apply from 7:30 pm AEDT on 25 October 2022.

START DATE

7.30 pm AEDT on 25 October 2022

As part of the October 2022–23 Federal Budget, the Government announced that the Government will improve the integrity of the tax system by aligning the tax treatment of off-market share buy-backs undertaken by listed public companies with the treatment of on-market share buy-backs.

The Budget Paper does not contain any further detail of the proposed amendments.

Source: Budget Paper No. 2 page 13;

2022-23 October Federal Budget - Multinational Tax Integrity Package - Amendments to the thin capitalisation rules

KEY POINTS
▪ The Government has announced that it will make changes to the thin capitalisation rules to replace the safe harbour and worldwide gearing tests with earnings-based tests to limit debt deductions in line with an entity's profits.
▪ Proposed to commence from the **2023–24 income year**.

APPLICATION

Income years starting on or after 1 July 2023

As part of the October 2022–23 Federal Budget, the Government announced that it will amend Australia's thin capitalisation rules to replace the safe harbour and worldwide gearing tests with earnings-based tests to limit debt deductions in line with an entity's profits.

The changes will apply to multinational entities operating in Australia and any inward or outward investor, in line with the existing thin capitalisation regime. Financial entities will continue to be subject to the existing thin capitalisation rules.

Background

Australia's thin capitalisation rules limit an entity's debt deductions — a concept broader than just interest — associated with a level of debt that exceeds a certain multiple of its equity.

The thin capitalisation rules affect both Australian and foreign entities that have operations in Australia, i.e.:

- Australian entities with overseas operations — outward investing entities
- Australian entities that are foreign controlled — inward investors
- foreign entities with operations or investments in Australia — inward investing entities.

The current thin capitalisation regime limits debt deductions up to the maximum of three different amounts:

1. The safe harbour debt amount — for entities that are neither ADIs nor financial entities, this is equal to 3/5 of the average value of the entity's Australian assets, after some adjustments
2. The arm's length debt amount — this is the amount of debt that an independent party carrying on the entity's Australian operations could have borrowed
3. The worldwide gearing debt amount — this test allows the Australian operations to be geared at up to 100 per cent of the gearing of the Australian entity's worldwide group.

Announcement

The Government has announced that it will replace the existing safe harbour and worldwide gearing tests with earnings-based tests.

This measure includes changes to:

- limit an entity's debt-related deductions to 30 per cent of profits (using EBITDA[47] — as the measure of profit). This new earnings-based test will replace the safe harbour test. Deductions denied under this test — i.e. interest expense amounts exceeding the 30 per cent EBITDA ratio — to be carried forward and claimed in a subsequent income year (up to 15 years)
- allow an entity in a group to claim debt-related deductions up to the level of the worldwide group's net interest expense as a share of earnings (which may exceed the 30 per cent EBITDA ratio). This new earnings-based group ratio will replace the worldwide gearing ratio
- retain an arm's length debt test as a substitute test which will apply only to an entity's third party debt, disallowing deductions for related party debt under this test.

Source: Budget Paper No. 2 page 15

2022-23 October Federal Budget - Multinational Tax Integrity Package - Denying deductions for payments relating to intangibles held in low or no tax jurisdictions

KEY POINTS
■ The Government has announced that it will introduce an anti-avoidance rule to prevent significant global entities — entities with global revenue of at least $1 billion — from claiming tax deductions for payments made directly or indirectly to related parties in relation to intangibles held in low or no tax jurisdictions. ■ Proposed to commence to payments made on or after **1 July 2023.**

APPLICATION

Payments made on or after 1 July 2023

As part of the October 2022–23 Federal Budget, the Government announced that it will introduce an anti-avoidance rule to prevent significant global entities — entities with global revenue of at least $1 billion — from claiming tax deductions for payments made directly or indirectly to related parties in relation to intangibles held in low or no tax jurisdictions.

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

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

Source: Budget Paper No. 2 page 16

[47] Earnings before interest, taxes, depreciation, and amortisation.

2022-23 October Federal Budget - Multinational Tax Integrity Package - Tax transparency

KEY POINTS
▪ The Government has announced that it will introduce reporting requirements under the tax transparency measures to require: ▪ significant global entities to prepare for public release of certain tax information on a country by country (CbC) basis and a statement on their approach to taxation ▪ Australian public companies (listed and unlisted) to disclose information on the number of subsidiaries and their country of tax domicile ▪ tenderers for Australian Government contracts worth more than $200,000 to disclose their country of tax domicile by supplying their ultimate head entity's country of tax residence. ▪ Proposed to commence from the **2023–24 income year**.

As part of the October 2022–23 Federal Budget, the Government announced that it will introduce reporting requirements for relevant companies to enhance the tax information they disclose to the public under the tax transparency measures.

APPLICATION

Income years commencing on or after 1 July 2023

Background

The Government requires large corporations to report data that is published by the ATO to inform public debate about tax policy in relation to the corporate tax system. The data is sourced from the income tax returns of some of the largest corporations in Australia.

For the 2022–23 income year and onwards, the corporate tax transparency population includes:

- any corporate tax entity that has total income equal to or exceeding $100 million
- entities that have petroleum resource rent tax (PRRT) payable.

Announcement

The Government will introduce reporting requirements to require:

- large multinationals — defined as significant global entities[48] — to prepare for public release of certain tax information on a country by country (CbC) basis and a statement on their approach to taxation, for disclosure by the ATO
- Australian public companies (listed and unlisted) to disclose information on the number of subsidiaries and their country of tax domicile
- tenderers for Australian Government contracts worth more than $200,000 to disclose their country of tax domicile by supplying their ultimate head entity's country of tax residence.

Source: Budget Paper No. 2 page 17

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[48] An entity is a significant global entity as defined in Subdiv 960-U of the *ITAA 1997* if it is a global parent entity (GPE) with an annual global income of A$1 billion or more; a member of a group of entities consolidated for accounting purposes as a single group and one of the other group members is a GPE with an annual global income of A$1 billion or more; or a member of a notional listed company group and one of the other group members is a GPE with an annual global income of A$1 billion or more.

2022-23 October Federal Budget - Australia-Iceland Tax Treaty

KEY POINTS
▪ The Government has announced that it signed the *Convention between Australia and Iceland for the Elimination of Double Taxation with respect to Taxes and the Prevention of Tax Evasion and Avoidance* on 12 October 2022.
▪ The Convention will facilitate trade and investment between Australia and Iceland by relieving double taxation, lowering withholding rates and improving certainty for taxpayers in both countries.

In the lead up to the October 2022–23 Federal Budget, the Assistant Minister for Competition, Charities and Treasury, Dr Andrew Leigh, announced that Australia has signed a new treaty with Iceland. The *Convention between Australia and Iceland for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance* (and its associated Protocol) was signed on 12 October 2022 in Reykjavik by Australia's Ambassador to Iceland.[49] This is Australia's first tax treaty with Iceland.

Key features of the new treaty include:

- Dividends — the treaty will provide Icelandic businesses with at least a 15 per cent reduction from Australia's default 30 per cent dividend withholding tax rate. The withholding tax rate on dividends will be reduced by at least 5 per cent for Australian businesses investing in Iceland.
- Interest — withholding rates on interest will be reduced by 2 per cent. Australia's tax will remain at 10 per cent for non-Government Icelandic investors.
- Royalties — a 20 per cent reduction from Australia's 30 per cent rate. In Iceland, the rate will be reduced by at least 10 per cent.

Announcement

As part of the 2022–23 Federal Budget, the Government announced that it had signed the *Convention between Australia and Iceland for the Elimination of Double Taxation with respect to Taxes and the Prevention of Tax Evasion and Avoidance* on 12 October 2022.

The convention will facilitate trade and investment between Australia and Iceland by relieving double taxation, lowering withholding rates and improving certainty for taxpayers in both countries.

The Convention also gives effect to the G20 / OECD Base Erosion and Profit Shifting recommendations.

Source: Budget Paper No. 2 page 14

[49] The new treaty will enter into force after both countries have completed their domestic requirements and instruments of ratification have been exchanged.

2022-23 October Federal Budget - Electric Car Discount

KEY POINTS
■ The Government has announced that it will exempt battery, hydrogen fuel cell and plug-in hybrid electric cars from FBT and import tariffs if the car: ■ has a first retail price below the luxury car tax threshold for fuel-efficient cars, and ■ has not been held or used before 1 July 2022. ■ The FBT measure is contained in the *Treasury Laws Amendment (Electric Car Discount) Bill 2022* which was introduced into Parliament on 27 July 2022. ■ Proposed to commence from **1 July 2022**.

START DATE

1 July 2022

As part of the October 2022-23 Federal Budget, the Government announced it will exempt battery, hydrogen fuel cell and plug-in hybrid electric cars from FBT and import tariffs if the car:

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

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

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

Source: Budget Paper No. 2 page 18;
Budget October 2022-23: Building a better future, page 28;
Treasurer's Media Release: Electric Car Discount Bill introduced to Parliament, dated 27 July 2022; and
Treasury Laws Amendment (Electric Car Discount) Bill 2022

2022-23 October Federal Budget - Expanded eligibility for downsizer contributions

KEY POINTS
▪ The Government has announced that it will reduce the minimum age for making a downsizer contribution from 60 to 55 years of age.
▪ The measure is contained in Schedule 5 to the *Treasury Laws Amendment (2022 Measures No. 2) Bill 2022* which is currently before Parliament.
▪ The reduced age is proposed to apply to downsizer contributions made on or after the first day of the first quarter after the day of Royal Assent.

As part of the October 2022–23 Federal Budget, the Government announced that it will reduce the minimum age for making a downsizer contribution. The measure is contained in Schedule 5 to the *Treasury Laws Amendment (2022 Measures No. 2) Bill 2022* which was introduced into Parliament on 3 August 2022.

APPLICATION

Downsizer contributions made on or after the first day of the first quarter after the day of Royal Assent

Background

The downsizer contribution allows an individual to make a one-off post-tax contribution of up to $300,000 to a complying superannuation plan from the proceeds of selling their main residence, without the contribution counting towards their non-concessional contribution cap. Their spouse can also do the same.

Currently, s. 292-102(1)(a) of the *ITAA 1997* provides that a downsizer contribution can only be made by individuals aged 60 and above[50].

Expanding eligibility for downsizer contributions

The Government will allow more people to make downsizer contributions to their superannuation, by reducing the minimum eligibility age from 60 to 55 years of age.

Source: Budget Paper No. 2 page 20; and
Treasury Laws Amendment (2022 Measures No. 2) Bill 2022 Schedule 5

[50] The age was reduced from 65 to 60 with effect for contributions made on or after 1 July 2022 by Schedule 3 to the *Treasury Laws Amendment (Enhancing Superannuation Outcomes For Australians and Helping Australian Businesses Invest) Act 2022* which received Royal Assent on 22 February 2022 as Act No. 10 of 2022.

Compliance

2022-23 October Federal Budget - Extend ATO Compliance Programs - Personal Income Taxation Compliance Program

KEY POINTS

▪ The Government has announced that it will provide $80.3 million to the ATO to extend the Personal Income Taxation Compliance Program for two years from 1 July 2023.
▪ The extension of the Program is intended to enable the ATO to:
   ▪ continue to deliver preventative and corrective activities in key areas of non-compliance
   ▪ modernise its guidance products and engage earlier with taxpayers and tax agents.

START DATE

1 July 2023

As part of the October 2022–23 Federal Budget, the Government announced that it will provide $80.3 million to the ATO to extend the Personal Income Taxation Compliance Program for two years from 1 July 2023.

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

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

Source: Budget Paper No. 2 page 11

2022-23 October Federal Budget - Extend ATO Compliance Programs - Shadow Economy Program

KEY POINTS
▪ The Government has announced that it will extend the existing ATO Shadow Economy Program for a further three years from 1 July 2023. ▪ The extension of the Shadow Economy Program is intended to enable the ATO to continue to target shadow economy activity.

START DATE

1 July 2023

As part of the October 2022–23 Federal Budget, the Government announced that that it will extend the existing ATO Shadow Economy Program for a further three years from 1 July 2023.

The extension of the Shadow Economy Program is intended to enable the ATO to:

- continue a strong and coordinated response to target shadow economy activity
- protect revenue
- level the playing field for those businesses that are following the rules.

Source: Budget Paper No. 2 page 12

2022-23 October Federal Budget - Extend ATO Compliance Programs - Tax Avoidance Taskforce

KEY POINTS
▪ The Government has announced that it has boosted funding for the ATO Tax Avoidance Taskforce by around $200 million per year over four years from 1 July 2022.
▪ The ATO Tax Avoidance Taskforce will also be extended for a further year from 1 July 2025.
▪ This measure is intended to support the ATO to pursue new priority areas of observed business tax risks.

START DATE

1 July 2022

As part of the October 2022–23 Federal Budget, the Government announced that it has boosted funding for the ATO Tax Avoidance Taskforce by around $200 million per year over four years from 1 July 2022, in addition to extending this Taskforce for a further year from 1 July 2025.

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

Source: Budget Paper No. 2 page 12

2022-23 October Federal Budget - Tax Practitioners Board - Compliance program to enhance tax system integrity

KEY POINTS
▪ The Government has announced that it will provide $30.4 million to the Tax Practitioners Board to increase compliance investigations into high-risk tax practitioners and unregistered preparers over four years from **1 July 2023**.

START DATE

1 July 2023

As part of the October 2022–23 Federal Budget, the Government announced that it will provide $30.4 million to the Tax Practitioners Board (TPB) to increase compliance investigations into high-risk tax practitioners and unregistered preparers over four years from 1 July 2023.

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

Source: Budget Paper No. 2 page 20

2022-23 October Federal Budget - Increase in Commonwealth Penalty Unit amount

KEY POINTS
■ The Government has announced that it will increase the amount of the Commonwealth penalty unit from \$222 to \$275, from 1 January 2023.

START DATE
1 January 2023 — applies to offences committed after the relevant legislative amendment comes into force

The Government has announced that it will increase the amount of the Commonwealth penalty unit from \$222 to \$275.

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

This measure ensures that financial penalties for Commonwealth offences continue to remain effective in deterring unlawful behaviour and contributes to budget repair.[51]

Source: Budget Paper No. 2 page 6

Other taxes

2022-23 October Federal Budget - Increase in Heavy vehicle road user charge

KEY POINTS
■ The Government has announced that it will increase the Heavy vehicle road user charge rate, from 26.4 cents per litre to 27.2 cents per litre of diesel fuel.
■ The effect of this change is that fuel tax credit rate for fuel used in heavy vehicles for travelling on public roads will be less as the Heavy vehicle road user charge reduces the fuel tax credit rate.
■ The increase commenced on 29 September 2022.

START DATE
29 September 2022

As part of the October 2022–23 Federal Budget, the Government announced that it will increase the Heavy vehicle road user charge rate, increasing it from 26.4 cents per litre to 27.2 cents per litre of diesel fuel. Significantly, the Heavy vehicle road user charge reduces the fuel tax credit rate for fuel used in heavy vehicles for travelling on public roads.[52]

Source: Budget Paper No. 2 page 162;
Minister for Infrastructure, Transport, Regional Development and Local Government Media Release:
Heavy vehicle road user charge legislative instrument, dated 13 September 2022; and
Fuel Tax (Road User Charge) Determination 2022

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[51] The penalty unit amount will continue to be indexed every three years in line with the CPI as per the pre-existing schedule. The next indexation will occur on 1 July 2023.

[52] ATO fact sheet Heavy Vehicles (QC 44648).

2022-23 October Federal Budget - Australia's foreign investment framework - Increase in fees and penalties

KEY POINTS
▪ The Government has announced that the maximum penalties for breaches in relation to residential land under the *Foreign Acquisitions and Takeovers Act 1975* (the FAT Act) will double on 1 January 2023.
▪ The fees under the regulations which provide for working out fees payable for the purposes of the *Foreign Acquisitions and Takeovers Fees Imposition Act 2015* (the Act) for various applications were doubled with effect from 29 July 2022.
▪ These measures are intended to ensure that Australians do not bear the cost of administering the foreign investment framework and to ensure compliance with the rules.

START DATE

Application fees have doubled for all applications on or after 29 July 2022

Maximum penalties to double on 1 January 2023

As part of the October 2022–23 Federal Budget, the Government announced that it will increase financial penalties for breaches that relate to residential land under the *Foreign Acquisitions and Takeovers Act 1975* (the FAT Act).

Background

The *Foreign Acquisitions and Takeovers Fees Imposition Act 2015* (the Act) imposes a range of fees payable by foreign persons in relation to the *FAT Act*. The *Foreign Acquisitions and Takeovers Fees Imposition Regulations 2020* (the Principal Regs) provide methods for working out different fees that are payable in relation to, for example:

- actions such as applications for an exemption certificate
- giving notice of a notifiable action
- vacancy fees which may arise when foreign persons do not utilise their residential property.

The Principal Regs also provide for indexation of the fees.

The Government amended the Principal Regs[53] — with effect from 29 July 2022 — to double the amount of fees worked out under the Principal Regs for the purposes of the Act. The new fees which become payable on or after 29 July 2022 and which also include indexation are as follows:

Amount in Principal Regs	Applicable fee on or after 29 July 2022 — including indexation
$2,000	$4,000
$6,350	$13,200
$12,700	$26,400
$27,100	$56,600
$500,00	$1,045,000

[53] Amended by the *Foreign Acquisitions and Takeovers Fees Imposition Amendment (Fee Doubling) Regulations 2022* F2022L00999.

There is a cap of $1,000,000 on fees that may be provided for under the regulations but this cap is also subject to indexation and is now, in effect $1,045,000.

Announcement

To ensure that Australians do not bear the cost of administering the foreign investment framework and to ensure compliance with the rules, the maximum financial penalties that can be applied to breaches relating to residential land will double on 1 January 2023.

Source: Budget Paper No. 2 page 10

2022-23 October Federal Budget - Modernising Business Registers - Increased program funding, director ID sustainment and registry stabilisation

KEY POINTS
▪ The Government has announced that it will provide additional funding to continue delivery of the Modernising Business Registers program which will consolidate over 30 business registers onto a modernised registry platform. ▪ Funding is included for the ATO and ASIC to operate and regulate the Director Identification Numbers regime. ▪ Proposed to commence from the **2022–23 income year**.

APPLICATION
From the 2022–23 income year

As part of the October 2022–23 Federal Budget, the Government announced that it will provide additional funding of $166.2 million over four years to continue delivery of the Modernising Business Registers program. The program will consolidate over 30 business registers onto a modernised registry platform.

The funding includes:

- $80 million in 2022–23 for the ATO and ASIC to continue design and delivery of the modernised registry platform
- $86.2 million over four years from 2022–23 for the ATO and ASIC to operate and regulate the Director Identification Numbers regime, and maintain ASIC's registry systems.

Source: Budget Paper No. 2 page 190

2022-23 October Federal Budget - Women's Budget Statement

KEY POINTS
■ The Women's Budget Statement focuses on three priorities: ■ women's economic security ■ ending violence against women ■ gender equality, health and wellbeing. ■ Some of the key initiatives include: ■ cheaper child care ■ changes to the Paid Parental Leave scheme ■ implementation of the *National Plan to End Violence against Women and Children 2022–2032* ■ funding for long-term, crisis and transitional housing for at-risk women and children ■ introduction of a *National Strategy to Achieve Gender Equality*.

The Women's Budget Statement focuses on three priorities:

1. women's economic security
2. ending violence against women
3. gender equality, health and wellbeing.

The Government announced as part of the October 2022–23 Budget that it will:

- strengthen and empower the Office for Women
- invest $4.7 billion over four years from 2022–23 to implement its *Plan for Cheaper Child Care*
- invest $531.6 million over four years from 2022–23 for changes to the Paid Parental Leave scheme
- invest $1.7 billion over six years to end violence against women and children through the implementation of the *National Plan to End Violence against Women and Children 2022–2032*
- direct the returns from an investment of $1.6 billion in the Housing Australia Future Fund to long-term housing for women and children fleeing domestic and family violence, and older women on low incomes at risk of homelessness; and $100 million for crisis and transitional housing for these groups
- introduce a *National Strategy to Achieve Gender Equality* to guide future actions to achieve the Government's goal of Australia being one of the most gender-equal countries in the world.

Source: Women's Budget Statement

2022-23 October Federal Budget - Plan for Cheaper Child Care

KEY POINTS
■ The Government has announced that it will provide $4.7 billion over four years from 2022–23, and $1.7 billion per year ongoing, to deliver cheaper child care to ease the cost of living and reduce barriers to workforce participation.
■ Proposed changes include:
▪ an increase in the maximum Child Care Subsidy (CCS) rate from 85 per cent to 90 per cent for the first child in care
▪ increasing the CCS family income eligibility threshold to $530,000
▪ increasing the CCS rate for all families earning less than the threshold.
■ Proposed to commence from the **2022–23 income year**.

START DATE
From the 2022–23 income year

As part of the October 2022–23 Federal Budget, the Government announced that it will deliver cheaper child care, easing the cost of living for families and reducing barriers to greater workforce participation.[54] The Government will provide $4.7 billion over four years from 2022–23, and $1.7 billion per year ongoing.

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

The Government proposes to:

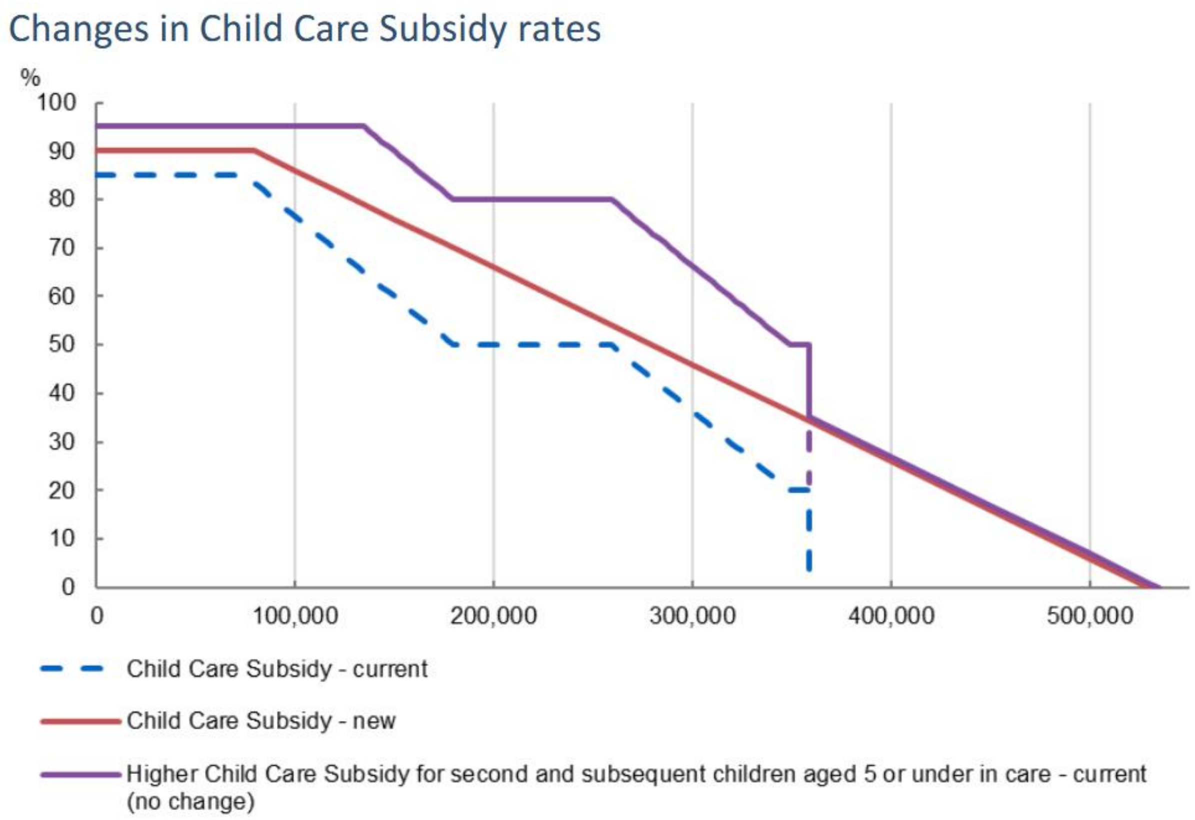
- increase the maximum Child Care Subsidy (CCS) rate from 85 per cent to **90 per cent** for families for the first child in care
- increase the CCS rate for all families earning **less than $530,000** in family income — currently the CCS percentage is 0 per cent if family income is $356,756 or more
- maintain current higher CCS rates — of up to 95 per cent — for families with multiple children aged five or under in child care, with higher CCS rates to cease 26 weeks after the older child's last session of care, or when the child turns 6 years old
- task the Australian Competition and Consumer Commission to undertake a 12 month inquiry into the cost of child care and the Productivity Commission to conduct a comprehensive review of the child care sector
- improve the transparency of the child care sector by requiring large providers to publicly report CCS-related revenue and profits.

[54] In the Budget, the Government also announced the Child Care Subsidy Reforms Integrity Package which proposes measures to strengthen payment integrity and accuracy of the Child Care Subsidy Program — see Budget Paper No. 2 page 91.

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

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

Proposed changes in CCS rates



Source: Budget Fact Sheet: Cheaper Child Care

Implications

It is estimated these reforms will increase the hours worked by women with young children by up to 1.4 million hours per week in 2023–24 — equivalent to an extra 37,000 full-time workers. It is also expected that child care will be more affordable for 96 per cent of families with children in care, and no families will be worse off.

Source: Budget Paper No. 2 page 93;
Budget Fact Sheet: Cost of living relief
Budget Fact Sheet: Cheaper Child Care; and
Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022

2022-23 October Federal Budget - Boosting Parental Leave

KEY POINTS
■ The Government has announced that it will extend and make more flexible the Paid Parental Leave (PPL) scheme. ■ Under the proposed changes, from **1 July 2023**: ▪ both parents will be able to share the entitlement, with a 'use it or lose it' portion for each parent ▪ parents will be able to claim the payment concurrently and take leave at the same time ▪ parents will be able to take leave in blocks as small as a day at a time, with periods of work in between ▪ a $350,000 family income test will be introduced as an alternative to the individual income test. ■ The expansion of the PPL scheme to 26 weeks will be phased in from **1 July 2024** to **1 July 2026**.

As part of the October 2022–23 Federal Budget, the Government announced that it will introduce reforms to the Government funded Paid Parental Leave (PPL) scheme, at a cost of $531.6 million over four years from 2022–23, and $619.3 million per year ongoing.

Background

Currently the PPL payment is available for up to 18 weeks for the birth parent, while Dad and Partner Pay is available for up to two weeks to fathers and partners, for a total of 20 weeks. Both payments are based on the weekly rate of the national minimum wage.

Announcement

It is proposed that from **1 July 2023**, the PPL will become more flexible for families:

- both birth and non-birth parents will be eligible to receive the payment if they meet the criteria
- parents will be able to claim weeks of the payment concurrently
- parents will be able to take leave in blocks as small as a day at a time
- eligibility will be expanded through the introduction of a **$350,000 family income test**, which families can be assessed under if they do not meet the individual income test (adjusted taxable income of $156,647 in 2021–22).

From **1 July 2024**, the Government proposes to expand the scheme by adding two weeks each year until it reaches a full **26 weeks** from **1 July 2026**.

Both parents will be able to share the leave entitlement, with a dedicated 'use it or lose it' portion for each parent, to encourage and facilitate both parents to access the scheme and to share the caring responsibilities more equally. Sole parents will be able to access the full 26 weeks.

The Women's Economic Equality Taskforce will assist in the finalisation of the changes to the scheme to ensure that the final model supports women's economic participation and gender equality.

Source: Budget Paper No. 2 page 177;
Budget Fact Sheet: Cost of living relief; and
Budget Fact Sheet: Expanding Paid Parental Leave