

Federal Budget

Tax & Superannuation Overview

2022 - 2023



Contents

Budget URLs	3
2022–23 Labor Federal Budget Highlights	4
Multinationals	7
Businesses	9
Energy efficiency grants for SMEs.....	11
Tax treatment for off-market share buy-backs of listed public companies	11
Intangible asset depreciation measure — not proceeding	12
Fuel tax credits — heavy vehicle road user charge increased.....	12
Australia-Iceland tax treaty.....	13
Extension of import duties on goods from Russia and Belarus.....	13
Waiver of import duty on goods from Ukraine	14
Technical amendments to taxation of financial arrangements — deferred.....	14
Reforms to simplify taxation of financial arrangements — not proceeding	15
Limit on cash payments to businesses — not proceeding	16
Asset-backed financing arrangement changes — not proceeding.....	16
Limited partnership CIV regime — not proceeding.....	17
Expansion of the Pacific Australia Labour Mobility scheme	17
Individuals	18
Superannuation	22
Multinationals	25



Budget URLs

Links to all Budget documents

All Budget 2022 – October 2022 documents referred to below under references can be found at the following official Budget 2022-23 url: [Budget 2022-23 - October 2022](#)



2022–23 Labor Federal Budget Highlights

The Federal Treasurer, Dr Jim Chalmers, handed down the Labor government's first Federal Budget at 7:30 pm (AEDT) on 25 October 2022.

Despite an uncertain global economic environment, the Treasurer has lauded Australia's low unemployment and strong export prices as reason for a 3.5% growth in the current financial year, slowing to 1.5% in 2023–24. The Budget projects a deficit of \$36.9 billion, lower than the forecast earlier this year of \$78 billion.

Described as a sensible Budget for the current conditions, it contains various cost of living relief measures including cheaper child care, expanding paid parental leave and encouraging downsizing to free up housing stock. Key tax measures are targeted at multinationals, particularly changes to the thin capitalisation rules, and changes to deduction rules for intangibles.

Importantly, no amendments have been proposed to the already legislated Stage-3 individual tax rate cuts. Additional funding for a range of tax administration and compliance programs have also been announced. Finally, the fate of a suite of announced but unenacted tax measures, including a few that have been around for at least 10 years, has been confirmed.

The full Budget papers are available at www.budget.gov.au and the Treasury ministers' media releases are available at ministers.treasury.gov.au. The tax, superannuation and social security highlights are set out below.

Businesses

Electric vehicles under the luxury car tax threshold will be exempt from fringe benefits tax and import tariffs.

A number of Victorian and ACT based business grants relating to the COVID-19 pandemic will be non-assessable non-exempt income for tax purposes.

Grants will be provided to small and medium-sized businesses to fund energy efficient equipment upgrades.

The tax treatment for off-market share buy-backs undertaken by listed public companies will be aligned with the treatment of on-market share buy-backs.

The 2021–22 Budget measure to allow taxpayers to self-assess the effective life of intangible depreciating assets will not proceed.

Heavy Vehicle Road User Charge rate increased from 26.4 to 27.2 cents per litre of diesel fuel, effective from 29 September 2022.

Australia has signed a new tax treaty with Iceland.

Additional tariffs on goods imported from Russia and Belarus have been extended by a further 12 months, to 24 October 2023.


Ukraine goods are exempted from import duties for a period of 12 months from 4 July 2022.

Technical amendments to the taxation of financial arrangements (TOFA) rules proposed in the 2021–22 Budget will be deferred.

Amendments to simplify the taxation of financial arrangements (TOFA) rules proposed in the 2016–17 Budget will not proceed.

The proposed measure from the 2018–19 Budget to impose a limit of \$10,000 for cash payments will not proceed.

Proposed changes in the 2016–17 Budget to amend the taxation of asset-backed financing arrangements will not proceed.



The new tax and regulatory regime for limited partnership collective investment vehicles proposed in the 2016–17 Budget will not proceed.

The Pacific Australia Labour Mobility (PALM) scheme will be expanded and enhanced.

Individuals

The amount pensioners can earn in 2022–23 will increase by \$4,000 before their pension is reduced, supporting pensioners who want to work or work more hours to do so without losing their pension.

To incentivise pensioners to downsize their homes, the assets test exemption for principal home sale proceeds will be extended and the income test changed.

The income threshold for the Commonwealth Seniors Health Card will be increased from \$61,284 to \$90,000 for singles and from \$98,054 to \$144,000 (combined) for couples.

The Paid Parental Leave Scheme will be amended so that either parent is able to claim the payment from 1 July 2023. The scheme will also be expanded by 2 additional weeks a year from 1 July 2024 until it reaches 26 weeks from 1 July 2026.

The maximum Child Care Subsidy (CCS) rate and the CCS rate for all families earning less than \$530,000 in household income will be increased.

The current higher Child Care Subsidy (CCS) rates for families with multiple children aged 5 or under in child care will be maintained.

Legislation will be introduced to clarify that digital currency (or crypto currencies) will not be treated as foreign currency for income tax purposes.



Superannuation

Eligibility to make a downsizer contribution to superannuation will be expanded by reducing the minimum age from 60 to 55 years.

The 2021–22 Budget measure that proposed relaxing residency requirements for SMSFs and small APRA-regulated funds (SAFs) from 1 July 2022, has been deferred.

The 2018–19 Budget measure that proposed changing the annual audit requirement for certain self-managed superannuation funds (SMSFs) will not proceed.

A requirement for retirement income product providers to report standardised metrics in product disclosure statements, originally announced in the 2018–19 Budget, will not proceed.

Multinationals

Thin capitalisation rules for non-ADIs will be amended from 1 July 2023, with tests relating to ratios replaced by earnings-based tests.

Significant global entities will be denied a tax deduction for payments to related parties in relation to intangibles held in low- or no-tax jurisdictions.

Significant global entities and public companies will have additional reporting requirements for income years commencing from 1 July 2023.

Proposed amendments to the debt/equity tax rules mentioned in the 2013–14 MYEFO will not proceed.



Tax Administration

Penalty unit increase to \$275 from 1 January 2023.

Personal Income Taxation Compliance Program extended a further 2 years to 30 June 2025

Shadow economy compliance program extended to 30 June 2026.

The ATO tax avoidance taskforce will receive additional funding and is being extended to 30 June 2026.

Financial penalties for breaches of foreign investment compliance to double from 1 January 2023.

Access to refunds of indirect tax, including GST, fuel and alcohol taxes, under the Indirect Tax Concession Scheme has been expanded to the diplomatic and consular representations of Bhutan.

The proposed extension of reportable transactions relating to the sharing economy deferred by 12 months to 1 July 2024.

Tax Agents

Funding to be given to the Tax Practitioners Board to increase compliance investigations.

Additional funding will be provided to support the delivery of government priorities in the Treasury portfolio.

Not-for-Profit

Deductible gift recipients list to be updated.

The 2021–22 MYEFO measure to establish a deductible gift recipient category for providers of pastoral care will not proceed. [Top](#)



Businesses

FBT and tariff exemptions for electric vehicles

Electric vehicles under the luxury car tax threshold (\$84,916 for 2022–23) will be exempt from fringe benefits tax and import tariffs. To qualify for the exemption, the electric vehicle must not have been held or used prior to 1 July 2022. Legislation introducing the FBT exemption is before the Senate.

The FBT exemption ultimately provides an opportunity for individuals to purchase an electric vehicle under a salary sacrifice novated lease arrangement. Without the FBT exemption, any benefit of this type of arrangement can be negligible. This is especially the case when an employee's business use percentage is very low or nil. A salary sacrifice arrangement effectively a saving for the user of an electric vehicle, as the payment of the vehicle will reduce their income tax. Along with the FBT savings, consumers of electric vehicle will also benefit from the removal of a 5% import tariff.

Despite the FBT exemption, an employer will still be required to report their employee's reportable car fringe benefits in the employee's reportable fringe benefits amount. This reportable amount is part of the payment summary reporting requirements and is used to calculate various tax rebates and thresholds.

[Source: Budget Paper No 2, p 18. Top](#)



More Business Grants to be Given Non-Assessable Non-Exempt Income Status

State-based business grants handed out during the COVID-19 pandemic are assessable income to the recipient unless the government places that grant in a special exclusion category. The government has announced the following Victorian and ACT business grants to be non-assessable non-exempt income for tax purposes:

Victoria

- Victoria Business Costs Assistance Program Round 2 – Top up
- Victoria Business Costs Assistance Program Round 3
- Victoria Business Costs Assistance Program Round 4
- Victoria Business Costs Assistance Program 4 – Construction
- Victoria Business Costs Assistance Program Round 5
- Victoria Commercial Landlord Hardship Fund 3
- Victoria Impacted Public Events Support Program Round 2
- Victoria Licensed Hospitality Venue Fund 2021 – July extension
- Victoria Licensed Hospitality Venue Fund 2021 – Top up payments
- Victoria Live Performance Support Program (Presenters) Round 2
- Victoria Live Performance Support Program (Suppliers) Round 2

Australian Capital Territory

- ACT HOMEFRONT 3
- ACT Small Business Hardship Scheme
- This announcement is in addition to several other state-based business grants that have been give non-assessable non-exempt status since the beginning of the COVID-19 pandemic.

Source: Budget Paper No 2, p 14. Top



Energy Efficiency Grants for SMEs

Grants will be provided to small and medium-sized businesses to fund energy efficient equipment upgrades.

The grants will be available to support studies, planning, equipment, and facility upgrade projects that improve energy efficiency, reduce emissions or improve management of power demand.

The government will provide \$62.6 million over 3 years from 2022–23 for this measure.

[Source: Budget Paper No 2, p 60; Glossy, “Building a better future”, p 39. Top](#)

Tax Treatment for Off-Market Share Buy-Backs of Listed Public Companies

The tax treatment for off-market share buy-backs undertaken by listed public companies will be aligned with the treatment of on-market share buy-backs.

Under the current tax treatment for an off-market buy-back, the difference between the purchase price and the part of the purchase price in respect of the buy-back which is debited against the company's share capital account is taken to be a dividend. Franking credits may be available with respect to such a dividend. In the case of an on-market buy-back, no part of the buy-back price is treated as a dividend and the total amount received by the shareholder is treated as consideration for the share sale.

The measure will apply from 7:30pm AEDT on 25 October 2022 (Budget night).

[Source: Budget Paper No 2, p 13. Top](#)



Intangible Asset Depreciation Measure – Not Proceeding

The 2021–22 Budget measure to allow taxpayers to self-assess the effective life of intangible depreciating assets will not proceed. A Bill introduced to implement the measure lapsed upon the proroguing of parliament.

The statutory effective lives for intangible depreciating assets set out in the table under s 40-95(7) of ITAA 1997 will continue to apply.

The measure was previously proposed to apply to certain intangible depreciating assets first held on or after 1 July 2023.

The measure has been discontinued to avoid potential integrity concerns and contribute to budget repair.

[Source: Budget Paper No 2, p 10. Top](#)

Fuel Tax Credits – Heavy Vehicle Road User Charge Increased

The Heavy Vehicle Road User Charge rate has been increased from 26.4 cents per litre to 27.2 cents per litre of diesel fuel, effective from 29 September 2022.

The previous rate of 26.4 cents per litre was announced in the 2021–22 Budget and commenced on 1 July 2021. The increased rate will reduce expenditure on the Fuel Tax Credit from the 2022–23 income year.

[Source: Budget Paper No 2, p 162; Fuel Tax \(Road User Charge Determination 2022 F2022L0119\(2\). Top](#)



Australia-Iceland Tax Treaty

Australia has signed a new tax treaty with Iceland.

Once in force, the treaty will facilitate trade and investment between Australia and Iceland by relieving double taxation, reducing withholding tax rates and providing more certainty for taxpayers in both countries. It also contains integrity provisions consistent with the outcomes of the G20/OECD Base Erosion and Profit Shifting project for the prevention of tax evasion and avoidance through treaty abuse.

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 was signed on 12 October 2022.

Source: Budget Paper No 2, p 14; Iceland tax treaty, Treasury website, 13 October 2022. Top

Extension of Import Duties on Goods from Russia and Belarus

A temporary measure, imposing additional tariffs on goods imported from Russia and Belarus, will be extended by a further 12 months to 24 October 2023.

The measure continues to deny Russia and Belarus access to most favoured nation status through the application of an additional 35% tariff on goods that are the produce and manufacture of Russia and Belarus shipped to Australia on or after 25 April 2022.

Source: Budget Paper No 2, p 8. Top



Wavier of Import Duty on Goods from Ukraine

Ukraine goods are exempted from import duties for a period of 12 months from 4 July 2022.

This measure applies a “Free” rate of duty to all goods that are the produce or manufacture of Ukraine except for excise-equivalent goods, such as certain alcohol, fuel, tobacco, and petroleum products.

[Source: Budget Paper No 2, p 8. Top](#)

Technical Amends to Taxation of Financial Agreements - Deferred

Technical amendments to the taxation of financial arrangements (TOFA) rules proposed in the 2021–22 Budget will be deferred.

The proposed amendments to the TOFA rules included facilitating access to hedging rules on a portfolio hedging basis. The start date for the measure will be deferred from 1 July 2022 to the income year commencing on or after assent of enabling legislation.

[Source: Budget Paper No 2, p 18. Top](#)



Reforms to Simplify Taxation of Financial Arrangements – Not Proceeding

Amendments to the simplify the taxation of financial arrangements (TOFA) rules proposed in the 2016–17 Budget will not proceed.

The government had proposed to reform the TOFA rules to reduce the scope, decrease compliance costs and increase certainty by redesigning the TOFA framework. The proposed changes included:

- a “closer link to accounting” to strengthen and simplify the existing link between tax and accounting in the TOFA rules
- simplified accruals and realisation rules to reduce the arrangements where spreading of gains and losses is required under TOFA and simplify required calculations
- a new tax hedging regime encompassing more types of risk management arrangements, and removing the direct link to financial accounting, and
- simplified rules for the taxation of gains and losses on foreign currency to preserve existing tax outcomes but streamline legislation.
- The measure was initially proposed to apply for income years starting on or after 1 January 2018. The start date was later deferred to the enactment of amending legislation.

Source: Budget Paper No 2, p 18. Top



Limits on Cash Payments to Businesses – Not Proceeding

A proposed measure from the 2018–19 Budget to impose a limit of \$10,000 for cash payments made to businesses for goods and services will not proceed.

A Bill implementing the measure had been previously introduced into parliament in 2019 but was discharged from the Senate notice paper following recommendations from a Senate Economics Legislation Committee in February 2020 that the measure be reviewed.

[Source: Budget Paper No 2, p 19. Top](#)

Asset-Backed Financing Arrangement Changes – Not Proceeding

Proposed changes first announced in the 2016–17 Budget to amend the taxation of asset-backed financing arrangements will not proceed. The changes proposed that these type of arrangements, such as deferred payment arrangements and hire purchase arrangements, be amended to ensure they were treated in the same way as financing arrangements based on interest-bearing loans or investments and was due to commence from 1 July 2018.

[Source: Budget Paper No 2, p 18. Top](#)



Limited Partnership CIV Regime – Not Proceeding

The new tax and regulatory regime for limited partnership collective investment vehicles proposed in the 2016–17 Budget will not proceed.

This measure was first announced together with a new regime for corporate collective investment vehicles (CCIVs), which has since been enacted into legislation (Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021, Act No 8 of 2022). This confirms the unenacted proposal for a partnership regime will not go ahead.

Source: Budget Paper No 2, p 18. Top

Expansion of the Pacific Australia Labour Mobility Scheme

The Pacific Australia Labour Mobility (PALM) scheme will be expanded and enhanced.

From 2022–23, the government will provide \$67.5 million in funding over 4 years and from 2025–26 onwards, \$12.4 million per year will be provided.

Funding will be used for initiatives to improve the benefits of the scheme for potential employers and workers, including:

- underwriting employers' investment in upfront travel costs for seasonal workers by covering costs that cannot be recouped from workers
- improvements to workplace standards for PALM visa holders, including increased workplace compliance activities
- allowing primary visa holders on long-term placements to bring partners and children to Australia, where sponsored by employers, and
- the expansion of the existing aged care skills pilot programs for aged care workers.

Source: Budget Paper No 2, p 111. Top





Individuals

Incentivising Pensioners into the Workforce

Age and veterans pensioners will be provided with a once off credit of \$4,000 to their Work Bonus income bank. This will increase the amount pensioners can earn in 2022–23 from \$7,800 to \$11,800, before their pension is reduced. The measure will support pensioners who want to work or work more hours to do so without losing their pension.

This measure implements an outcome from the Jobs and Skills Summit in September 2022.

[Source: Budget Paper No 2, p 181. Top](#)

Incentivising Pensioners to Downsize

The assets test exemption for principal home sale proceeds will be extended from 12 months to 24 months for income support recipients. The income test will also be changed, to apply only the lower deeming rate (0.25%) to principal home sale proceeds when calculating deemed income for 24 months after the sale of the principal home.

This measure delivers on the Labor government's election commitments as published in the Plan for a Better Future.

[Source: Budget Paper No 2, p 180. Top](#)



Income Threshold for the Commonwealth Seniors Health Care Increased

The income threshold for the Commonwealth Seniors Health Card will be increased from \$61,284 to \$90,000 for singles and from \$98,054 to \$144,000 (combined) for couples.

The government will also freeze social security deeming rates at their current levels for a further 2 years until 30 June 2024, to support older Australians who rely on income from deemed financial investments, as well as the pension, to deal with the rising cost of living.


This measure delivers on the Labor government's election commitments as published in the Plan for a Better Future.

[Source: Budget Paper No 2, p 181. Top](#)

Paid Parental Leave Flexibility Reforms

The Paid Parental Leave Scheme will be amended from 1 July 2023 so that either parent is able to claim the payment and both birth parents and non-birth parents are allowed to receive the payment if they meet the eligibility criteria. Parents will also be able to claim weeks of the payment concurrently so they can take leave at the same time.

From 1 July 2024, the scheme will be expanded by 2 additional weeks a year until it reaches a full 26 weeks from 1 July 2026. Both parents will be able to share the leave entitlement, with a proportion maintained on a “use it or lose it” basis, to encourage and facilitate both parents to access the scheme. 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, including the period of concurrence and the most appropriate proportion of “use it or lose it” weeks.

This measure extends the Coalition government’s 2022–23 Budget measure titled Women’s Economic Security Package.

[Source: Budget Paper No 2, p 177. Top](#)

Child Care Subsidy Rate Increased

The maximum Child Care Subsidy (CCS) rate will be increased from 85% to 90% for families for the first child in care and the CCS rate for all families earning less than \$530,000 in household income will be increased.

[Source: Budget Paper No 2, p 93. Top](#)

Higher Child Care Subsidy Rates for Families with Multiple Children Maintained

The current higher Child Care Subsidy (CCS) rates for families with multiple children aged 5 or under in child care will be maintained, 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.

[Source: Budget Paper No 2, p 93. Top](#)



Digital Currency will not be Taxed as Foreign Currency

Legislation will be introduced to clarify that digital currency (or crypto currencies) will continue to not be treated as foreign currency for income tax purposes. The treatment does not apply to digital currencies issued by, or under the authority of, a government agency, which continue to be taxed as foreign currency.

This tax treatment for digital currency will be backdated to apply to income years that include 1 July 2021. The position was announced on 22 June 2022 following the decision of the government of El Salvador to adopt Bitcoin as legal tender, and draft legislation was released by Treasury on 6 September 2022 for consultation.

[Source: Budget Paper No 2, p 11. Top](#)



Superannuation

Minimum age to make downsizer superannuation contribution reduced

Eligibility to make a downsizer contribution to superannuation will be expanded by reducing the minimum age from 60 to 55 years.

The downsizer contribution allows an individual to make a one-off post-tax contribution to their superannuation of up to \$300,000 per person from the proceeds of selling their home.

Both members of a couple can contribute and the contributions do not count towards non-concessional contribution caps.

The measure will take effect from the start of the first quarter after Royal Assent of the enabling legislation.

[Source: Budget Paper No 2, p 20. Top](#)



Proposed Changes to SMSF Residency Requirements – Deferred

The 2021–22 Budget measure that proposed relaxing residency requirements for SMSFs and small APRA-regulated funds (SAFs) from 1 July 2022, has been deferred.

The proposed measure relaxes the residency requirements for SMSFs by extending the central control and management test safe harbour from two to five years for SMSFs. In addition, the active member test will also be removed for both SMSFs and SAFs.

The change will allow members to continue to contribute to their superannuation fund whilst temporarily overseas, ensuring parity with members of large APRA-regulated funds.

This measure will now take effect on or after the date of Royal Assent of the enabling legislation.

[Source: Budget Paper No 2, p 18. Top](#)

Proposed Changes to Audit Requirements for Certain SMSFs – Not Proceeding

The 2018–19 Budget measure that proposed changing the annual audit requirement for certain self-managed superannuation funds (SMSFs) will not proceed.

The measure had proposed to change the annual SMSF audit requirement to a 3 yearly requirement for SMSFs with a history of good record-keeping and compliance.

[Source: Budget Paper No 2, p 19. Top](#)



Proposed Requirements for Retirement Income Products

Metric Reporting – Not Proceeding

The 2018–19 Budget measure that proposed introducing a requirement for retirement income product providers to report standardised metrics in product disclosure statements will not proceed.

The measure had proposed forcing retirement income product providers to report simplified, standardised metrics in product disclosure statements to assist customer decision making. The proposed measure had been announced alongside the introduction of a retirement covenant requiring superannuation trustees to formulate a retirement income strategy for superannuation fund members.

[Source: Budget Paper No 2, p 18. Top](#)

Multinationals

Thin capitalisation — earnings-based tests to replace ratio tests for non-ADIs

Thin capitalisation rules will be amended for non authorised deposit-taking institutions (non ADIs) with the replacement of the safe harbour test (debt to asset ratio) and the worldwide gearing test (debt to equity ratio) with earnings-based tests, to limit debt deductions in line with an entity's activities (profits). ADIs will continue to apply the current thin capitalisation rules.

The safe harbour test is being replaced with an earnings-based test, which will limit the entities' interest expense to 30% of profit. Profit will be defined as EBITDA, or earnings before interest, taxes, depreciation and amortisation. If a multinational entity wishes to use this entity-level EBITDA earnings-based test (interest expense amounts exceeding the 30% EBITDA ratio), any debt deductions denied may be carried forward and claimed in a subsequent year (up to 15 years).

A second option for a multinational entity would be to claim a debt deduction up to the level of their worldwide group's net income expense as a percentage of earnings. This earnings-based group ratio will replace the worldwide gearing ratio.

The remaining arm's length debt test will be retained as a substitute test but will only apply to a multinational entity's external (third party) debt, disallowing deductions for any related party debt under this test.

Multinational entities operating in Australia, and any inward or outward investor, must pass thin capitalisation rules in order to claim a deduction for interest expenses above \$2 million.

This measure will apply to income years commencing on or after 1 July 2023.

Source: Budget Paper No 2, pp 15–16. Top



No Deduction for Related Party Payments for Intangibles in Low or No-Tax Jurisdictions

A significant global entity will be denied a deduction for payments to related parties in relation to intangibles held in low- or no-tax jurisdictions. This anti-avoidance rule will apply to payments made on or after 1 July 2023.

Payments or fees are commonly made by multinational entities to a head company for their use of the head company's intangibles. These payments can be made either directly or indirectly to a related entity. These payments reduce net profit from the Australian tax system, which has a corporate tax rate of 30% for large companies. The denial of a deduction reduces the effectiveness of utilising low taxing countries to hold intangible assets.

A significant global entity is defined as an entity with annual global revenue of at least \$1 billion.


For the purposes of the new anti-avoidance measure, a low- or no-tax jurisdiction is a jurisdiction with:

- a tax rate of less than 15%, or

- a tax preferential patent box regime without sufficient economic substance.

This measure delivers on the Labor government's election commitment as published in the Plan for a Better Future.

[Source: Budget Paper No 2, p 16. Top](#)



More Disclosure of Tax Information Required for Significant Global Entities and Public Companies

Certain tax information of significant global entities will be publicly disclosed by the ATO on a country-by-country basis. Significant global entities are currently required to lodge additional reports with the ATO, which includes a country-by-country report. The public disclosure may include new types of information not currently reported on, including a statement on their approach to taxation.

Public companies will be required to disclose to the public the number of subsidiaries they have and their tax domicile. This disclosure will apply to both listed and unlisted public companies.

To further improve tax transparency, government contract tenderers will be required to disclose their ultimate head entity's country of tax residence for tenders above \$200,000.

[Source: Budget Paper No 2, p 17. Top](#)

Debt/Equity Tax Rules Amendment – Not Proceeding

Proposed amendments to the debt/equity tax rules mentioned in the 2013–14 MYEFO will not proceed.

The amendments appear to refer to a measure first announced in the 2011–12 Budget which sought to limit the scope of an integrity provision in the debt/equity rules to prevent unintended outcomes. The then incoming Coalition government identified this measure as one that it intended to proceed with in the 2013–14 MYEFO, but it had since remained unenacted.

[Source: Budget Paper No 2, p 18. Top](#)



Tax Administration

Penalty unit increase to \$275 from 1 January 2023

From 1 January 2023 the value of a Commonwealth penalty unit will increase from \$222 to \$275. The amount will continue to be indexed in accordance with the triennial Consumer Price Index (CPI) indexation regime introduced from 1 July 2017, with the next indexation occurring on 1 July 2023.

Penalty units are used to calculate the penalties for various tax offences including making false statements and failing to lodge documents on time. The increased penalty unit will apply to offences committed after the increase is given legislative effect.

This measure was included in the government's Plan for a Better Future election platform.

[Source: Budget Paper No 2, p 6. Top](#)

Extension of Personal Income Tax Compliance Program

Funding will be provided to extend the Personal Income Taxation Compliance Program a further 2 years to 30 June 2025. Like the ATO Shadow Economy Program, this compliance program received funding in the 2021–22 MYEFO in December 2021 extending its application to 30 June 2023. This program targets the key areas of non-compliance, including overclaiming of deductions and incorrect reporting of income.

[Source: Budget Paper No 2, p 11. Top](#)



Extension of Shadow Economy Compliance Program

The ATO Shadow Economy Program will be extended for a further 3 years from 1 July 2023. Measures to address the shadow economy were first announced as part of the 2018–19 Budget and in response to the Black Economy Taskforce’s Final Report. Increased funding to extend this program to 30 June 2023 was previously announced in the 2021–22 MYEFO in December 2021.

This measure was included in the government’s Plan for a Better Future election platform.

[Source: Budget Paper No 2, p 12. Top](#)

Tax Avoidance Taskforce Receives Additional Funding

The ATO Tax Avoidance Taskforce will receive additional funding and be extended to 30 June 2026 supporting a broadening of priority areas of observed business tax risks, complementing the ongoing focus on multinational enterprises and large public and private businesses. This taskforce received funding in 2016 for an initial 4-year period to enhance then current compliance activities targeting large multinationals, private groups and high-wealth individuals, extending them to 30 June 2020. Further funding announced in the 2019– 20 Federal Budget extended the operation of the Taskforce to 2022–23. Compliance programs associated with this taskforce include the Top 100 Risk Categorisation Approach and Top 1,000 Tax Performance Program.

This measure was included in the government’s Plan for a Better Future election platform.

[Source: Budget Paper No 2, p 12. Top](#)



Increase in Foreign Investment Penalties

Financial penalties for breaches that relate to foreign investment in residential land will double from 1 January 2023.

Fees paid by foreign persons for all applications made under the foreign investment framework were doubled from 29 July 2022. This announcement complements those increases by doubling the maximum financial penalties that can be applied for breaches in relation to residential land.

This measure was included in the government's Plan for a Better Future election platform.

[Source: Budget Paper No 2, p 10. Top](#)

Access to Indirect Tax Concession Scheme Expanded

Access to refunds of indirect tax, including GST, fuel and alcohol taxes, under the Indirect Tax Concession Scheme (ITCS) has been expanded to the diplomatic and consular representations of Bhutan.

Access to the ITCS for Bhutan has also been extended to include construction and renovation relating to their current and future diplomatic missions and consular posts.

[Source: Budget Paper No 2, p 13. Top](#)



Extension for Reportable Transactions - Deferred

The 2019–20 MYEFO in December 2019 announced an extension of the Taxable Payments Reporting System to the sharing economy. This reporting regime requires businesses providing online platforms within the sharing or gig economy to report identification and income information, of all sellers and providers using their platform, to the ATO for data-matching purposes. The implementation of the reporting requirements has generally been deferred by 12-months pending policy legislation and implementation as follows:

ride-sharing and short-term accommodation platforms — deferred to income years commencing from 1 July 2023 (previously from 1 July 2022). In August 2018 the ATO gazetted notice to collect, from online accommodation platforms, data to identify individuals providing accommodation services through an online platform for the period 1 July 2016 to 30 June 2020).

all other reportable transactions, including, but not limited to asset sharing, food delivery, task-based services — deferred to income years commencing from 1 July 2024 (previously from 1 July 2023).

[Source: Budget Paper No 2, p 18. Top](#)

Tax Agents

Increased funding for Tax Practitioners Board compliance investigations

The Tax Practitioners Board (TPB) will be given \$30.4 million to increase compliance investigations into high-risk practitioners and unregistered preparers over 4 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, p 20. Top](#)



Funding to Support Delivery of Government Priorities in Treasury Portfolio

Additional funding will be provided to support the delivery of government priorities in the Treasury portfolio. This will include:

\$2.7 million in 2022–23 for Treasury to support reviews of the Reserve Bank of Australia and the regulatory framework for managed investment schemes, and

support for ASIC to administer the financial adviser exam, to be partially cost recovered from examination fees (costs are not for publication due to commercial sensitivities).

Additionally, the Productivity Commission will review the current framework to incentivise philanthropy in the not-for-profit sector. The Department of Social Services will also work with the not-for-profit sector to develop a sector led not-for-profit Blueprint as a roadmap towards providing the not-for-profit sector with support and strategic direction to expand their services in future years.

The costs of this measure will be partially met from within the existing resourcing of the Treasury portfolio.

This measure will redirect partial funding from the Coalition government's 2022–23 Budget measure titled Insolvency Reform – continuation and savings identified as part of the Spending Audit.

[Source: Budget Paper No 2, pp 193–194. Top](#)



Not-For-Profit

Updates to deductible gift recipients list

Australians for Indigenous Constitutional Recognition will be specifically listed as a deductible gift recipient (DGR) for donations made from 1 July 2022 to 30 June 2025.

The listing of the Australian Women Donors Network as a DGR will also be extended for 5 years, for gifts made from 9 March 2023 to 8 March 2028.

[Source: Budget Paper No 2, p 17. Top](#)

Deductible Gift Recipient Category for Pastoral Care Provides Measure – Not Proceeding

The 2021–22 MYEFO measure that proposed establishing a deductible gift recipient category for providers of pastoral care and analogous well-being services in schools will not proceed.

[Source: Budget Paper No 2 p 19. Top](#)