DIRECTOR ID AND THE 2022 – 23 FEDERAL BUDGET OVERVIEW

URGENT REMINDER FOR COMPANY DIRECTORS

DO YOU HAVE YOUR DIRECTOR ID?

DEADLINE IS 30 NOVEMBER 2022

As a reminder for existing Directors, if you haven't yet applied for your Director ID, this must be completed by 30 November 2022. The link is below:

https://www.abrs.gov.au/director-identification-number/apply-director-identification-number

Don't delay, it is expected that ASIC will impose penalties if you don't have an ID by this date. If you have applied and received your ID number, please send it to us for our records.

If you need assistance, please call us, we can help you through this process!

Budget October 2022–23

OVERVIEW

Following on from the May 2022 Federal election, the 2022-23 Federal Budget has outlined the new Federal Government's priorities for the coming term. From personal tax to banking, superannuation, infrastructure, health, defence, climate change and more, the Federal Budget has implications for every facet of the Australian economy. The challenges facing our nation are rising – frequent flooding's, a substantial global economic slowdown, high inflation and rising interest rates. We are facing widespread skills shortages and falling wages and a Budget overcome by one trillion dollars of debt. The Government's plan is focused on addressing these challenges and building a better future for all.

INDIVIDUALS & PERSONAL TAX CHANGES

This budget delivered no new individual tax measures, so the focus of this Budget is on providing support to working parents, in addition to continuing to monitor individual tax compliance…

1. **Personal Income Tax Rates:**

   – From 1 July 2024, the 37% bracket will be removed entirely, and the 32.5% bracket will be reduced to 30%. In addition, the threshold above which the top marginal rate of 45% applies will increase from $180,000 to $200,000.

Taxable Income	Current Tax Rates	Taxable Income	Tax Rates from 1 July 2024
Up to $18,200	0%	Up to $18,200	0%
$18,201 - $45,000	19%	$18,201 - $45,000	19%
$45,001 - $120,000	32.5%	$45,001 - $200,000	30%
$120,001 - $180,000	37%	From $200,001	45%
From $180,001	45%		

2. **Low and Middle Income Tax Offset to Expire:**
   – The low and middle-income tax offset (LMITO) will expire as at 30 June 2022, which will affect the net tax position of 10.2 million people earning between $48,000 and $126,000.

3. **Support for Working Parents – Increasing Parental Leave & Cheaper Child Care:**
   – The paid parental leave entitlement will be extended by six weeks (to a total of 6 months), which will assist in easing the cost-of-living pressure for families. The extension will apply in increments of two weeks, starting from 1 July 2024 until it reaches the full 26 weeks, from July 2026.
   – The Government will provide $4.7 billion over 4 years from 2022-23 (and $1.7 billion per year ongoing) to deliver cheaper child care. The maximum Child Care Subsidy will be raised to 90% for families for the first child in care, whilst many families with a child currently in care will also benefit from increased Child Care Subsidy Rates.

4. **Personal Income Taxation Compliance Program:**
   – A large focus remains on targeting non-compliance by individual taxpayers, such as overclaiming of deductions and incorrect reporting of income.

5. **Digital Currencies:**
   – The budget has clarified that digital currencies, such as Bitcoin, will not be taxed as foreign currency, therefore maintaining the current tax treatment. This measure removes uncertainty following the decision of the Government of El Salvador to adopt Bitcoin as legal tender.

6. **Seniors:**
   – The Government will increase the income threshold for the Commonwealth Seniors Health Card from $61,284 to $90,000 for singles and from $98,054 to $144,000 (combined) for couples. The amount pensioners can earn before their pension is reduced will be increased from $7,800 to $11,800.

BUSINESS TAX CHANGES

This budget includes a number of tax collection measures aimed at large multinationals and businesses. With over $5 billion of tax expected to be raised, the Government has increased funding to the ATO…

1. **Depreciation – Self-Assess Effective Life of Intangible Depreciating Assets:**
   – The budget has outlined that it will not proceed with the measure to allow taxpayers to self-assess the effective life of intangible depreciating assets, announced in the 2021-22 Budget. Therefore, effective lives of intangible depreciating assets will continue to be set by statute.

2. **Electric Car Discount:**
   – Taxes on electric cars will be cut with the intention of making these vehicles more affordable. From 1 July 2022, the measure will exempt battery, hydrogen fuel cell and plug-in hybrid electric cars from fringe benefits tax and import tariffs if they have a first retail price below the luxury car tax threshold for fuel-efficient cars ($84,916 in 2022-23). The car must not have been held or used before 1 July 2022.
   – Employers will need to include exempt electric car fringe benefits in an employee's reportable fringe benefits amount.

3. **Off-Market Share Buy-Backs:**
   – 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. This measure will apply from announcement on Budget night on 25 October 2022.

4. **Australian Taxation Office (ATO) activities:**
   - The government has boosted funding for the ATO's Tax Avoidance Taskforce, in addition to extending the Taskforce by a further year to 2025-26. A resultant increase in receipts of $2.8 billion for a cost of $1.1 billion over the forward estimates will see a continued focus on compliance activities and the recovery of tax debts.

Australian Government
Australian Taxation Office

5. **Measures aimed at multinationals:**
   - The government has proposed various measures targeted at multinationals including:
     - Disallowing deductions for payments relating to intangibles held in jurisdictions with a tax rate of less than 15 percent.
     - Improved tax transparency reporting requirements, including public country by country reporting.

SUPERANNUATION

1. **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.
   - The downsizer contribution allows people 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 contributions do not count towards non-concessional contribution caps.

2. **SMSF 3-year audit rule:**
   - In the 2018-19 Budget the Government announced a proposal to allow 3-yearly audits for SMSF's, rather than the current annual requirement. This was widely criticised by the SMSF industry and never progressed as legislation. The budget has declared that this measure will not proceed.

If you have any questions with regards to any of the information above,

please feel free to contact our office

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