



Federal Budget 2022-23 – October 2022 edition!

Economic Update

- **Forecast Budget Positions**
 - 2022-23 -\$36.9bn deficit (down from -\$78.0bn previously forecasted)
 - 2023-24 -\$44.0bn deficit (down from -\$56.5bn previously forecasted)
 - 2024-25 -\$51.3bn deficit (up from -\$47.1bn previously forecasted)
 - 2025-26 -\$49.6bn deficit (up from -\$43.1bn previously forecasted)
- **GDP**
 - 2022-23 3.25% (down from 3.50% previously forecasted)
 - 2023-24 1.50% (down from 2.50% previously forecasted)
 - 2024-25 2.25% (down from 2.50% previously forecasted)
 - 2025-26 2.50%
- **Unemployment Rate**
 - 2022-23 3.75%
 - 2023-24 4.50% (up from 3.75% previously forecasted)
 - 2024-25 4.50% (up from 3.75% previously forecasted)
 - 2025-26 4.25% (up from 4.00% previously forecasted)
- **CPI**
 - 2022-23 5.75% (up from 3.00% previously forecasted)
 - 2023-24 3.50% (up from 2.75% previously forecasted)
 - 2024-25 2.50% (down from 2.50% previously forecasted)
 - 2025-26 2.50%
- **Gross Debt**
 - 2022-23 \$927bn (down from \$977bn previously forecasted)
 - 2023-24 \$1.004tn (down from \$1.056tn previously forecasted)
 - 2024-25 \$1.091tn (down from \$1.091tn previously forecasted)
 - 2025-26 \$1.159tn (down from \$1.169tn previously forecasted)
- **Net Debt**
 - 2022-23 \$572.2bn (down from \$714.90bn previously forecasted)
 - 2023-24 \$634.1bn (down from \$772.1bn previously forecasted)
 - 2024-25 \$702.8bn (down from \$823.3bn previously forecasted)
 - 2025-26 \$766.8bn (down from \$766.8bn previously forecasted)

ATO-specific Budget Measures

Personal Income Taxation Compliance Program

The Government will provide \$80.3 million to the ATO to extend the Personal Income Taxation Compliance Program for 2 years from 1 July 2023.

This extension will 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 will enable the ATO to modernise its guidance products, engage earlier with taxpayers and tax agents and target its compliance activity.

This measure is estimated to increase receipts by \$674.4 million and increase payments by \$80.3 million over the 4 years from 2022–23.

Shadow Economy Program

The Government will extend the existing ATO Shadow Economy Program for a further 3 years from 1 July 2023.

The extension of the Shadow Economy Program will enable the ATO to continue a strong and co-ordinated response to target shadow economy activity, protect revenue and level the playing field for those businesses that are following the rules.

This measure is estimated to increase receipts by \$2.1 billion and increase payments by \$685.2 million over the 4 years from 2022–23. This includes an increase in GST payments to the States and Territories of \$442.3 million.

Tax Avoidance Taskforce

The Government has boosted funding for the ATO Tax Avoidance Taskforce by around \$200 million per year over 4 years from 1 July 2022, in addition to extending this Taskforce for a further year from 1 July 2025.

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

This measure is estimated to increase receipts by \$2.8 billion and increase payments by \$1.1 billion over the 4 years from 2022–23.

Summary

Across the above three budget measures, the ATO is receiving an additional \$1 825 000 000 000 (\$1.825 billion) in funding specifically for the purposes of collecting more taxes. The Government expects to raise \$5.583 billion from these measures.

Improving the Integrity of 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 (7:30pm AEDT, 25 October 2022).

Fringe Benefits Tax Changes

Powering Australia – Electric Car Discount

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. 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.

This measure is estimated to decrease receipts by \$410.0 million and decrease payments by \$65.0 million over the 4 years from 2022–23. The measure will be reviewed after 3 years.

Individual Income Tax Rate Changes

No Specific Budget Measures announced.

Small Business Budget Measures

Energy Efficiency Grants for Small and Medium Sized Enterprises

The Government will provide \$62.6 million over 3 years from 2022–23 to support small to medium enterprises to fund energy efficient equipment upgrades. The funding will support studies, planning, equipment and facility upgrade projects that will improve energy efficiency, reduce emissions or improve the management of power demand.

Paid Family and Domestic Violence Leave – Small Business Assistance

The Government will provide \$3.4 million over 4 years from 2022–23 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 10 days of paid family.

Supporting Small Business Owners

The Government will provide \$15.1 million over two calendar years from 1 January 2023 until 31 December 2024 to extend the Small Business Debt Helpline and the NewAccess for Small Business Owners programs to support the financial and mental wellbeing of small business owners.

Superannuation Budget Measures

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

Other Business Measures

Modernising Business Registers

The Government will provide additional funding of \$166.2 million over 4 years from 2022–23 to continue delivery of the Modernising Business Registers program that will consolidate over 30 business registers onto a modernised registry platform. Funding includes:

- \$80.0 million in 2022–23 for the Australian Taxation Office (ATO) and the Australian Securities and Investments Commission (ASIC) to continue design and delivery of the modernised registry platform
- \$86.2 million over 4 years from 2022–23 (\$119.5 million over 6 years from 2022–23 and \$15.9 million per year ongoing) for ATO and ASIC to operate and regulate the Director Identification Numbers regime, and maintain ASIC’s registry systems.

Other Tax related Budget Measures

Commonwealth Penalty Unit – increase

The Government will increase the amount of the Commonwealth penalty unit from \$222 to \$275, from 1 January 2023. The increase will apply to offences committed after the relevant legislative amendment comes into force. The amount will continue to be indexed every 3 years in line with the CPI as per the pre-existing schedule, with the next indexation occurring on 1 July 2023. (*not a typo*).

Depreciation – reverse the measure allowing taxpayers to self-assess the effective life of intangible assets

The Government 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. Reversing this decision will maintain the status quo – effective lives of intangible depreciating assets will continue to be set by statute.

Digital Currency

The Government will introduce legislation to clarify that digital currencies (such as Bitcoin) continue to be excluded from the Australian income tax treatment of foreign currency. This maintains the current tax treatment of digital currencies, including the capital gains tax treatment where they are held as an investment. This measure removes uncertainty following the decision of the Government of El Salvador to adopt Bitcoin as legal tender and will be backdated to income years that include 1 July 2021.

Providing Certainty on Unlegislated Tax and Superannuation Measures

The Government has reviewed and will not proceed with the following legacy tax and superannuation measures that were announced but not legislated by the previous Government:

- The 2013-14 MYEFO measure that proposed to amend the debt/equity tax rules.
- The 2016-17 Budget measure that proposed changes to the taxation of financial arrangements (TOFA) rules (a delayed start date was announced in 2018-19 Budget).
- The 2016-17 Budget measure that proposed changes to the taxation of asset-backed financing arrangements.
- The 2016-17 Budget measure that proposed introducing a new tax and regulatory framework for limited partnership collective investment vehicles.
- The 2018-19 Budget measure that proposed changing the annual audit requirement for certain self-managed superannuation funds (SMSFs).
- The 2018-19 Budget measure that proposed introducing a limit of \$10,000 for cash payments made to businesses for goods and services (a delayed start date was announced in 2018-19 MYEFO).
- The 2018-19 Budget measure that proposed introducing a requirement for retirement income product providers to report standardised metrics in product disclosure statements.
- 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.

Further, the Government will defer the start dates of the following legacy tax and superannuation measures to allow sufficient time for policies to be legislated and implemented:

- The 2019-20 MYEFO measure that proposed introducing a sharing economy reporting regime, from:
 - 1 July 2022 to 1 July 2023 for transactions relating to the supply of ride sourcing and short-term accommodation, and
 - 1 July 2023 to 1 July 2024 for all other reportable transactions (including but not limited to asset sharing, food delivery and tasking-based services).
- The 2021-22 Budget measure that proposed relaxing residency requirements for SMSFs, from 1 July 2022 to the income year commencing on or after the date of Royal Assent of the enabling legislation.
- The 2021-22 Budget measure that proposed making technical amendments to the TOFA rules, from 1 July 2022 to the income year commencing on or after the date of Royal Assent of the enabling legislation.

Other Notable Budget Measures

Fraud Fusion Taskforce

The Government will provide \$126.3 million over 4 years from 2022-23 to establish a cross-agency Fraud Fusion Taskforce to address fraud and serious non-compliance in the National Disability Insurance Scheme (NDIS).

More Competition, Better Prices

The Government will increase penalties for breaches of competition and consumer law to deter conduct that stifles competition and increases costs to consumers. Maximum penalties for corporations will increase from \$10 million to \$50 million per breach, and from 10 per cent of annual turnover to 30 per cent of turnover (whichever is greater) during the period the breach took place.

National Anti-Corruption Commission establishment

The Government will provide \$262.6 million over 4 years from 2022-23 (including \$52.7 million in capital funding and \$70.1 million per year ongoing) to establish and support the ongoing operation of the independent National Anti-Corruption Commission.

Community Batteries for Household Solar

The Government will provide \$224.3 million over 4 years from 2022–23 to deploy 400 community batteries across Australia to lower bills, cut emissions and reduce pressure on the electricity grid by allowing households to store and use excess power they produce.

Driving the Nation Fund

The Government will provide \$275.4 million over 6 years from 2022–23 as part of its election commitment to double the Commonwealth's investment to \$500 million and establish the Driving the Nation Fund (the Fund) to invest in cheaper and cleaner transport. Funding includes:

- \$146.1 million over 5 years from 2023–24 for the Australian Renewable Energy Agency to co-invest in projects to reduce emissions from Australia's road transport sector
- \$89.5 million over 6 years from 2022–23 for the Hydrogen Highways initiative to fund the creation of hydrogen refuelling stations on Australia's busiest freight routes, in partnership with states and territories, including \$5.5 million to LINE Hydrogen Pty Ltd for its George Town green hydrogen heavy transport project
- \$39.8 million over 5 years from 2022–23 to establish a National Electric Vehicle Charging Network to deliver 117 fast charging stations on highways across Australia, in partnership with the NRMA.

Rewiring the Nation

The Government will provide \$20.0 billion in funding to establish Rewiring the Nation to expand and modernise Australia's electricity grids at lowest cost, unlocking new renewables and storage capacity and driving down power prices

Solar Banks

The Government will provide \$102.2 million over 4 years from 2022–23 to establish a Community Solar Banks program for the deployment of community-scale solar and clean energy technologies. Funding will improve access to clean energy technologies in regional communities, social housing, apartments, rental accommodation, and households that are traditionally unable to access rooftop solar.

Savings from External Labour, Advertising, Travel and Legal Expenses

The Government will achieve savings of \$3.6 billion over 4 years from 2022–23 by reducing spending on external labour, advertising, travel and legal expenses. The savings from this measure will offset the Government's election commitments.

Additional Assistance to Ukraine

The Government will provide \$213.3 million over 5 years from 2021–22 to deliver additional assistance to Ukraine following the invasion by Russia.

Australian Skills Guarantee

The Government will undertake the initial design and implementation of the Australian Skills Guarantee, in consultation with stakeholders, to ensure that one in ten workers on a major Commonwealth funded project is an apprentice, trainee or a paid cadet, with sub-targets for women.

Vocational Education

The Government will provide \$921.7 million over 5 years from 2022–23 to strengthen Australia's Vocational Education and Training system and address skills shortages.

Boosting Parental Leave

The Government will introduce reforms from 1 July 2023 to make the Paid Parental Leave Scheme flexible for families 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 Government will start expanding the scheme by two additional weeks a year until it reaches a full 26 weeks from 1 July 2026.

Lifting the Income Threshold for the Commonwealth Seniors Health Card

The Government will provide \$69.6 million over 4 years from 2022–23 to 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 Government will also freeze social security deeming rates at their current levels for a further two 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.

Safer and More Affordable Housing

The Government will invest \$10 billion in the newly created Housing Australia Future Fund, to be managed by the Future Fund Management Agency, to generate returns to fund the delivery of 30,000 social and affordable homes over 5 years and allocate \$330 million for acute housing needs.