POLICY BULLETIN

ELECTION TAX AND SUPER POLICIES

9 May 2019

The federal election has been called for 18 May 2019, with tax and superannuation policies attracting significant attention.

CPA Australia has prepared the attached summary of tax and superannuation policies for the Liberal-National Coalition and Australian Labor Party.

The information has been collated from public sources, is accurate to the best of our knowledge, and current as at 9 May 2019.

We also note that these proposed policies must pass through the parliamentary process and may therefore be subject to change.

Summary: Australian Labor Party (ALP) policies

Current as at 7 May 2019

Policy	Key elements	Additional information
Cost of managing tax affairs	The amount individuals can deduct for the management of their tax affairs will be capped at $3000. This cap will affect individuals, trusts and partnerships. A carve-out will be provided for individual small businesses with positive business income and annual turnover up to $2 million. The proposed date of effect is 1 July 2019.	This policy is costed to affect 90,000 individuals and increase revenue by $375 million over the forward estimates. CPA Australia media commentary on this announcement includes: • Trust crackdown worth almost $2b a year: Labor – May 2019 • Deduction label changes coming to better break down tax agent costs – May 2019 • Unrequited love as accountants go to war with Shorten over $3000 cap – April 2019 • Morrison's warning on Labor tax advice cap – April 2019 • Labor homes in on small biz as election nears, cops more backlash for tax advice cap – January 2019 • Tax advisers vow to fight Bill Shorten's 'direct attack' on their existence – September 2017 INTHEBLACK article: • Tax advice cap: Limiting deductibility when taxpayers most need it – February 2019
Negative gearing	Limit negative gearing to new housing from 1 January 2020. All investments made prior to this date will not be affected by the changes and will be fully grandfathered.	Subject to the release of greater detail, the proposal to remove negative gearing seems to also apply to non-housing negatively geared assets such as share portfolios, commercial properties and business operations. INTHEBLACK article: • Property investment: Who really uses negative gearing? – March 2019

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Capital gains tax	Halve the capital gains tax discount for all assets purchased after 1 January 2020. This will reduce the capital gains tax discount from assets held longer than 12 months from 50 per cent to 25 per cent. All investments made prior to the 1 January 2020 will be fully grandfathered. The changes to the CGT discount will not apply to superannuation funds or to the 50 per cent active asset reduction concession that applies to small businesses.	CPA Australia's pre-budget submission to the government recommended: • no reduction in the CGT general discount • no change in tax laws applying to pre-CGT assets • no change to the tax-exempt status of the family home.
Ending cash refunds for excess imputation	Remove cash refunds of excess dividend imputation credits for individuals and superannuation funds from 1 July 2019. The Pensioner Guarantee means that recipients of the aged pension and other allowance recipients will be protected from the abolition of cash refunds for excess dividend imputation credits when the policy commences in July 2019. Self-managed superannuation funds with at least one pensioner or allowance recipient before 28 March 2018 will also be exempt from the changes. It will not apply to bodies such as ATO-endorsed income tax exempt charities and not-for-profit institutions with deductible gift recipient status.	The policy is costed to increase revenue by $11.4 billion over the forward estimates from 2018-19. CPA Australia representation to Standing Committee on Economics: • Implications of removing refundable franking credits – November 2018 CPA Australia media commentary on this announcement includes: • Franking credit changes unlikely to hurt share prices – April 2019
Taxation of family discretionary trusts	Introduce a standard minimum 30 per cent tax rate for discretionary trust distributions to mature beneficiaries (people 18 years and above). The policy will not apply to non-discretionary trusts such as special disability trusts, testamentary trusts (deceased estates), fixed trusts, cash management unit trusts, fixed unit trusts, public unit trusts (listed and unlisted), farm trusts, and charitable and philanthropic trusts.	This policy is costed to increase revenue by $7.7 billion over the forward estimates. CPA Australia media commentary on this announcement includes: • Labor's tax reforms are "a very grim picture for those trying to run a small business" – April 2019 INTHEBLACK article: • CPA Australia: Small business will suffer under proposed trust tax policy – April 2019

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Budget deficit repair levy	Reinstate the Budget Deficit Repair Levy of two per cent for taxpayers with taxable income in excess of $180,000. This would also have the effect of returning the FBT rate to 49 per cent (as it was for three years) and would result in consequential changes to other tax rates linked to the top personal tax rate.	
Low and middle income tax offset (LMITO)	Workers earning up to $37,000 a year will receive a tax cut of up to $350. For workers earning between $37,000 and $48,000 a year, the value of the offset will increase up to the maximum offset of $1080.	This policy is costed to decrease revenue by $1.05 billion over the forward estimates. Same as Liberal-National Coalition.
Australian Investment Guarantee	Allow all businesses to immediately expense 20 per cent of the value of eligible depreciable assets in the first year of all new investments, with the balance depreciated in line with normal depreciation schedules from the first year.	This policy is costed to decrease revenue by $3.36 billion over the forward estimates.
New Jobs Tax Cut	Small businesses with a turnover of up to $10 million will be able to claim an additional 30 per cent tax deduction on the salary for up to five employees who are: • younger than 25 or older than 55, or a parent or a carer • unemployed for three months or more.	This policy is costed to decrease revenue by $141 million over the forward estimates.
Research and development tax incentive	Firms that collaborate with researchers in universities and public research agencies to create new knowledge will be eligible for a 10 per cent premium. The premium could be claimed by firms that engage in activities such as: • cooperating with a university or the CSIRO to develop an innovative new product • embedding industry researchers within a university facility • employing recent PhD graduates in their first three years of employment • hiring PhD students to do industrial research with a company.	

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Deductions for multinational debts	Limit debt deductions for multinational companies to the worldwide gearing ratio. This means that the amount of permissible debt would be limited to the debt to equity ratio of the entire global group.	This policy is costed to increase revenue by $1.1 billion over the forward estimates.
Multinational royalty payments	Deny multinationals a tax deduction for royalties when they are paid by a firm with $1 billion or more of global turnover ("significant global entity" in tax law) to a related party in a transaction that is subject to the 'sufficient foreign tax test' aspect of the Diverted Profits Tax or has a harmful "patent box" regime. A multinational can still get the tax deduction if the firm can substantiate to the Commissioner of Taxation that the royalty payments are not for the dominant purpose of tax avoidance.	This policy is costed to increase revenue by $680 million over the forward estimates.
Multinational tax	• Automatically deny deductions from companies for travel to and from tax havens. • Increase penalties for individuals and entities promoting tax evasion and avoidance. Fines of up to $2.1 million for an individual or $10.5 million for a body corporate, or three times the consideration received or receivable, directly or indirectly, by the entity or its associates who promote tax avoidance schemes. • Requiring all individual Australian taxpayers to notify and declare to the ATO if they have residency or citizenship of any other jurisdiction and the name of that jurisdiction. • Introduce public reporting of country-by-country reports, ensuring the release of high-level tax information about where and how much tax was paid by large corporations (over $1 billion in global revenue). • Introduce a publicly accessible registry of the beneficial ownership of Australian listed companies and trusts, allowing the public to find out who really owns our firms. • Introduce mandatory shareholder reporting of tax haven exposure, requiring companies to disclose to shareholders as a "Material Tax Ris"' if the company is doing business in a tax haven.	ALP has released its Tax Haven Blacklist which will cover Cayman Islands, Bermuda, Andorra, Liechtenstein, Guernsey, Monaco, Mauritius, Liberia, Seychelles, Brunei, Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, British Virgin Islands, Grenada, Montserrat, Panama, St Vincent and the Grenadines, St Kitts and Nevis, Turks and Caicos and US Virgin Islands. CPA Australia submission on public disclosure of country-by-country reports: • GRI topic-specific standard: Tax and payments to government – March 2019

Policy	Key elements	Additional information
	• Introduce public reporting of Australian Transaction Reports and Analysis Centre (AUSTRAC) data and require the annual public release of international cash flow data. • Require all firms tendering for Australian Government contracts worth more than $200,000 to state their country of domicile for tax purposes. • Develop guidelines for tax haven investment by superannuation funds.	
Whistleblowers	Provide protection for whistleblowers who report on entities evading tax to the ATO and, where whistleblower information results in more tax being paid, allow them to collect a share of the tax penalty (a reward of up to $250,000).	
Transparency	• Require that the ATO's annual report provide information on the number and size of tax settlements. • Restore the $100 million threshold for public reporting of tax data for private companies, which was raised to $200 million by the Government. • Appoint a community sector representative to the Board of Taxation to ensure community sector voices are heard in tax design and review processes.	
Vacant property tax and foreign investors	Facilitate COAG processes to introduce a uniform vacant property tax across all major cities. Increase fees for overseas investors buying Australian real estate and increase penalties when they break the law.	
SMSF direct borrowing	Limit direct borrowing by self-managed superannuation funds.	INTHEBLACK article: • Using a self-managed super fund and borrowed money to buy property can be a risky business – October 2014
Fast track superannuation guarantee	When prudent, ending the freeze of the Superannuation Guarantee at 9.5 per cent and fast-tracking the Superannuation Guarantee increase to 12 per cent. Phase out the $450 minimum monthly income threshold for eligibility for the superannuation guarantee.	CPA Australia media commentary on this announcement includes: • Plans to fast-track increase to SG raises industry concerns – May 2019

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Super contribution caps and thresholds	Lower the annual non-concessional contributions cap from $100,000 to $75,000. Further lower the high-income superannuation contribution threshold from $250,000 to $200,000. Reverse the introduction of catch-up concessional contributions and changes to tax deductibility for personal superannuation contributions.	This policy is costed to increase revenue by $5 billion over the forward estimates.
Competition and Growth Taskforce	Create a Competition and Growth Taskforce to sit within Treasury and include staff from diverse backgrounds including not-for-profits, superannuation and the cooperatives and mutuals sectors. Overarching responsibilities will be to examine the structure, distribution and effects of capital ownership in Australia. This will encompass issues tasked to it by Government, and independent research and policy development.	The Taskforce would be allocated $3 million over the forward estimates.

Summary: Liberal-National Coalition policies

Current as at 6 May 2019

Policy	Key elements	Additional information
Personal income tax	Phase 1: From 1 July 2022, the top threshold of the 19 per cent personal income tax bracket will increase to $45,000 Phase 2: From 1 July 2024, the 32.5 per cent marginal tax rate will be reduced to 30 per cent. Phase 3: From 1 July 2024, the 37 per cent bracket will be abolished.	Measures will reduce revenue by $19.5 billion over the forward estimates period (Budget Paper No. 2 2019-20). ALP supports Phase 1 policies.
LIMTO and LITO	Phase 1: LIMTO: Workers earning up to $37,000 a year will receive a tax cut of up to $350. For workers earning between $37,000 and $48,000 a year, the value of the offset will increase up to the maximum offset of $1,080. Phase 2: From 1 July 2022, the LITO will increase to $700. The increased LITO will be withdrawn at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000. The LITO will then be withdrawn at a rate of 1.5 cents per dollar between taxable incomes of $45,000 and $66,667. Together, the increase to the top threshold of the 19 per cent personal income tax bracket and the changes to LITO will lock in the reduction in tax provided by the LMITO when the LMITO is removed.	
Medicare levy – low income threshold increase	Increase Medicare levy low-income thresholds so that low-income taxpayers generally continue to be exempted from paying the Medicare levy	Measures will reduce revenue by $250 million over the forward estimates period (Budget Paper No. 2 2019-20).
Fast track lower taxes for small business	Corporate tax rate for small and medium businesses will be cut further to 25 per cent by 2021-22, five years earlier than previously planned. This will apply to around 970,000 small and medium companies. Unincorporated small businesses will receive comparable treatment through an increase in their small business discount rate to 16 per cent. This will benefit around 2.4 million businesses.	

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ABN-holder requirements	Australian Business Number (ABN) holders with an income tax return obligation will be required to lodge their income tax return, from 1 July 2021, and will be required to confirm the accuracy of their details on the Australian Business Register annually, from 1 July 2022.	Measures will increase revenue by $22.2 million over the forward estimates period (Budget Paper No. 2 2019-20).
Division 7A	The start date of amendments to Div 7A of the Income Tax Assessment Act 1936 will be delayed by 12 months to 1 July 2020. The proposed amendments announced in the 2018 and 2016 Federal Budgets will undergo further consultation with stakeholders following feedback from stakeholders to a consultation paper issued in October 2018.	
Superannuation – improving flexibility for older Australians	Members of regulated superannuation funds have zero restrictions for making voluntary contributions prior to reaching 65 years of age. From 1 July 2020 the government intends to increase this age limit and allow 65 and 66 year olds to contribute. Restrictions relating to an individual claiming a spouse contribution tax offset are proposed to be reduced from 1 July 2020. The easing of the rules is by giving spouses aged 70 to 74 eligibility if they meet the work test. Spouses aged 65 and 66 will not need to meet the work test at all.	Measures will decrease revenue by $40 million over the forward estimates period (Budget Paper No. 2 2019-20).
Superannuation election policies	• Extend the maximum size of self-managed super funds from four to six members. • Expand pension loans scheme to provide around 1.8 million Australians the option to draw down on more of the equity in their own home. • Allow contributions to super from the proceeds of downsizing, up to $300,000 for eligible Australians aged 65 and over. • Continue to allow self-managed super funds to borrow on a non-recourse basis.	
Superannuation – other measures	• Superannuation fund trustees will be allowed to calculate exempt current pension income (ECPI) on a preferred method basis from 1 July 2020. • Since December 2008, tax relief has been available for qualifying superannuation funds that have merged. This tax relief will be made permanent from 1 July 2020.	

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	• SuperStream will be expanded to include the transfer of information and money between employers, superannuation funds and the ATO. This change will take effect from 31 March 2021. • The government will undertake an expression of interest (EOI) process to identify options to support the establishment of a Superannuation Consumer Advocate.	