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FEDERAL BUDGET 2022-2023 MARK II

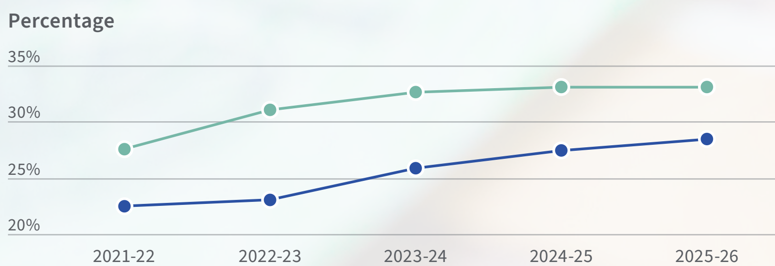
OCTOBER 2022

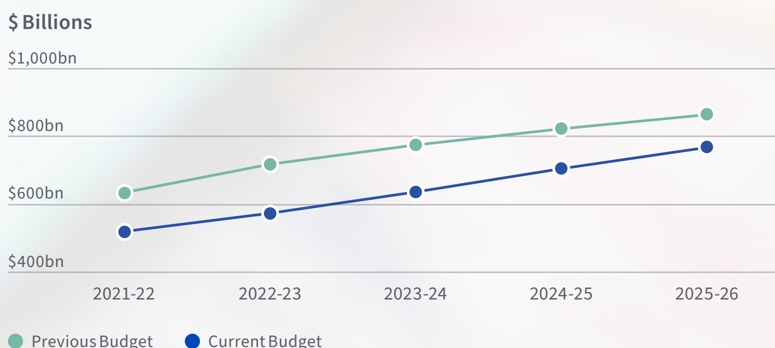
AN INTERESTING MIX OF MEASURES BUT NO BIG TAX POLICIES

Labor delivered its first budget in a decade on 25 October 2022. It contains many commendable socially focussed measures, aimed at easing cost-of-living pressures over the short and medium terms, a shuffling of the deck on infrastructure spending and some interesting technical measures that impact businesses, especially big or multinational ones.

Although the forecast Budget deficit for 2022-2023 has improved by $41 billion since before the Federal election (approximately $37 billion compared with $78 billion in March), Treasurer Jim Chalmers acknowledges this is a temporary result, brought about by higher tax receipts from higher commodity prices and higher inflation, with an increasing deficit forecast for each year during the forecast period.

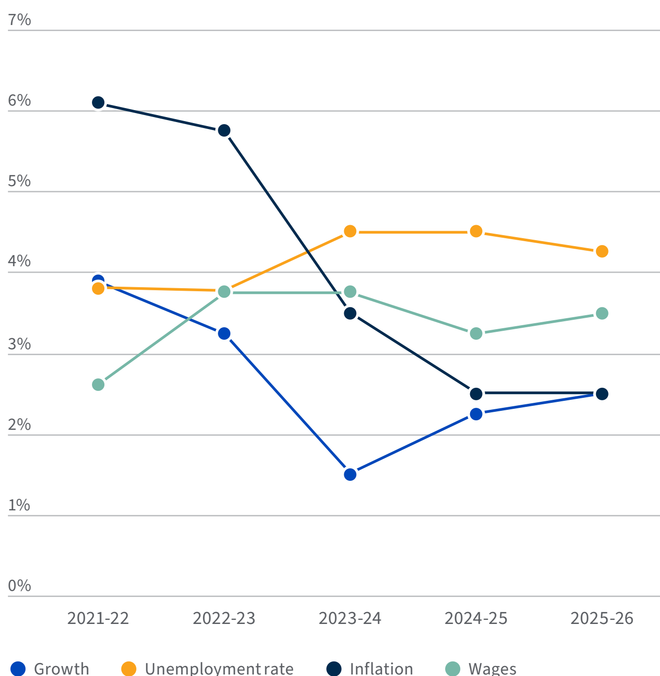
Net Debt – Changes between the two budgets





In addition to projected deficits for at least the next decade, slower economic growth is expected as compared to that previously forecast, employment growth is also expected to slow, while disasters and war are expected to impact inflation significantly.

Major economic parameters



There are no major new revenue raising measures or structural changes to the tax system. However, tinkering with tax measures focused on integrity and more enforcement activity is expected to generate $4.7 billion over four years. To put this in context, that will fund one of Labor's key measures – cheaper childcare (expected to cost $4.7 billion). Reallocation of spending priorities and other efficiency savings produce a further $22 billion in budget improvements over four years.

Intriguingly, there are some $1.4 billion in revenue measures and $3.1 billion in expenditure measures highlighted in Budget Paper 2 that are described as having been "taken but not announced."

Was this an opportunity lost for the new Government to go hard on tax measures which deliver longer term economic dividends while basking in the glow of a recent win at the polls? After all, Treasurer Chalmers has been laying the ground work for bad news, but one would have thought there would be more than the poor macroeconomic forecasts.

INDIVIDUALS AND FAMILIES

NO INCOME TAX CUTS

There are no changes to the individual income tax rates. The hotly debated stage 3 tax cuts are not being reversed (at least not in this budget noting that they are not proposed to take effect until 1 July 2024). The marginal tax rates remain as follows:

2022-2023 to 2023-2024		2024-2025 onwards	
Taxable incomes	Marginal rates	Taxable incomes	Marginal rates
0 – 18,200	0%	0 – 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%		
180,001 –	45%	**200,001 –**	45%

Bold items *show changes within the table.*

When the stage 3 cuts commence operation, they will benefit mainly high-income earners with a maximum tax saving of $9,075 for taxpayers with taxable income of at least $200,000.

LMITO NOT EXTENDED; LITO REMAINS

The low- and middle-income tax offset (**LMITO**) has finally met its end – it is not being extended next year, meaning low- and middle-income tax earners effectively face a tax increase in July 2023. However, this should be offset to some extent by the cost-of-living measures announced in the budget.

The March 2022-2023 Budget had previously extended and increased the LMITO up to $1,500 for 2021-2022 (from $1,080).

No changes were made to the low-income tax offset (**LITO**). The LITO provides an offset of up to $700 for low-income earners earning taxable income of up to $66,668.

LABOR'S 5-POINT COST-OF-LIVING PLAN

Unsurprisingly, one of the Government's key commitments in the Budget is to provide cost of living relief for Australians without adding to inflation. The Government has introduced a $7.5 billion cost-of-living relief package – a five-point plan to target the rising inflation in the current economic climate without further contributing to inflationary pressures:

CHEAPER CHILDCARE

EXPANDING PAID PARENTAL LEAVE

CHEAPER MEDICINES

MORE AFFORDABLE HOUSING

GETTING WAGES MOVING AGAIN

Cheaper childcare

The Government has committed to providing $4.7 billion over 4 years from 2022-2023 to ease the cost of living for families by delivering cheaper childcare. The funding will be used to increase the maximum Child Care Subsidy (**CCS**) rate to up to 90% for eligible families and maintain the current higher CCS rate of up to 95% for any additional children aged 5 and under.

Additionally, the Government will provide additional funding to support the National Agreement on Closing the Gap targets and improve early childhood outcomes for First Nations children. This measure is estimated to cost $43.9 million over 4 years from 2022-2023.

Expanding Paid Parental Leave

To improve general equality and enhance flexibility for Australian families, the Government will deliver the biggest reform to the Paid Parental Leave Scheme since its introduction in 2011 at a cost of $531.6 million over 4 years from 2022-2023. From 1 July 2023, the Paid Parental Leave Scheme will allow either parent (applicable to both birth parents and non-birth parents) to claim a payment provided they meet the eligibility criteria.

From 1 July 2024, the Government will scale up the scheme by two additional weeks a year until it reaches a full 26 weeks in 2026. It is proposed that the leave entitlement can be shared between both parents, with a proportion of the leave entitlement reserved for each parent on a "use it or lose it" basis, while solo parents can access the full 26 weeks.

Cheaper medicines

The Government has committed to $787.1 million over 4 years from 2022-2023 to make medicines cheaper by decreasing the general patient co-payment for treatments on the Pharmaceutical Benefits Scheme by $12.50 per script. It is estimated that about 3.6 million Australians will benefit from this measure every year by saving more than $190 million in out-of-pocket costs.

More affordable housing

Recognising the increased difficulty for Australians to access affordable housing, the Government has introduced a new national "Housing Accord" (**Accord**) to boost housing supply. Under the Accord, the Government will support funding of 10,000 affordable homes with $350 million over 5 years from 2024-2025, with ongoing availability payments over the longer term.

Additionally, the Government has also proposed various further initiatives, including:

+ The newly created Housing Australia Future Fund – the investment returns in the first five years are expected to deliver 30,000 affordable homes;
+ The Help to Buy Scheme – which will allow up to 40,000 eligible Australian to own their home with an equity contribution from Government; and
+ The Regional First Home Buyer Guarantee – which will support another 10,000 new homeowners per year to 30 June 2026.

Getting wages moving again

The Government has proposed a minimum pay rise of $40 per week for full-time workers. This is estimated to benefit around 2.7 million workers. The Government will also support a pay rise for aged care workers.

Further, the Government has committed to building a bigger and better trained workforce, including:

+ Delivering 480,000 fee-free Technical and Further Education (**TAFE**) and vocational education places;
+ Establishing Jobs and Skills Australia to provide advice on Australia's labour market and training needs;
+ Increasing visa processing capacity to attract high-skilled migrants;
+ Supporting early to mid-career transitioning into digital roles; and
+ Supporting the uptake of enterprise bargaining for small businesses.

SUPERANNUATION – EXPANDING ELIGIBILITY FOR DOWNSIZER CONTRIBUTIONS

The Government has proposed to reduce the minimum eligibility age with respect to the downsizer contributions from 60 to 55 years of age. This follows an earlier reduction in the eligible age from 65 to 60 years which took effect from 1 July 2022.

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.

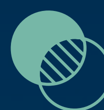
The measure is announced to have effect from the start of the first quarter after Royal Assent of the enabling legislation.

MULTINATIONAL TAX INTEGRITY PACKAGE

As widely anticipated, the Labor Government will deliver on its election commitment to implement the multinational tax integrity package in order to target multinationals so that they pay their "fair share of tax". This consists of the following:

Changes to the thin capitalisation rules

Denying deductions for certain payments relating to intangibles and royalties



Multinational tax transparency

CHANGES TO AUSTRALIA'S THIN CAPITALISATION RULES

Australia's thin capitalisation rules limit interest deductions claimed by multinationals to the extent that debt exceeds the "maximum allowable debt". Currently, there are three methods for working out maximum allowable debt for such entities. The most common method is to work out the "safe harbour debt amount", which broadly allows an entity to gear up to 60% of the book value of a company's Australian assets (or a debt-to-equity ratio of 1.5:1).

As highlighted in our previous article *Reassess your debt: proposed changes to Australia's thin capitalisation rules*, the Labor Government is proposing to replace the current safe harbour debt amount calculated by reference to asset values with a cap on interest deductions up to 30% of earnings before interest, taxes, depreciation and amortisation (**EBITDA**), in line with the OECD framework. We would expect sectors which typically may be highly leveraged, such as infrastructure, real estate, construction and private equity, to be most immediately affected by this change. The measure is proposed to apply to income years commencing on or after 1 July 2023.

A consultation paper (**Consultation Paper**) was released by Treasury prior to the Federal Budget, which provided some details in relation to the proposed change and sought feedback from stakeholders. Interestingly, the Federal Budget provides additional clarification to the proposed change, some of which we highlighted as areas of consideration in our previous article, these being:

- **Carrying forward of denied deductions:** Deductions that are denied under the entity-level EBITDA test (i.e. interest expense amounts exceeding the 30% EBITDA ratio) can be carried forward and claimed in a subsequent income year (up to 15 years). This measure is reasonable as permanently denying interest deductions would be undesirable where an entity is funding a project which will generate future earnings, or where fluctuations in EBITDA were due to circumstances outside the entity's control;
- **Group ratio rule:** The current worldwide gearing ratio will be replaced with a new "earnings-based group ratio", which broadly allows 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 (even if it exceeds the 30% EBITDA ratio on an entity level); and
- **Arm's length debt test:** Integrity concerns were previously foreshadowed by Treasury that a potential increase in uptake of the arm's length debt test would undermine the policy intent of the proposed change. As such, the Federal Budget has announced the arm's length debt test will be retained but will only apply to external (i.e. third party) debt, therefore excluding related party debt.

The Federal Budget notes that the proposed change will apply to both inward and outward investors, in line with the "existing thin capitalisation regime". This suggests the existing de minimis threshold of $2 million may be maintained. Additionally, the Federal Budget highlights that financial entities will continue to be subject to the existing thin capitalisation rules. This suggests that potentially only non-financial entities will be subject to the proposed change, in line with the OECD's views that an EBITDA based rule is unlikely to be effective for financial entities, given they are net lenders and are subject to regulatory capital requirements.

Further clarification to the EBITDA test is still needed. For example, no guidance has been provided on whether there will be a carry forward of excess capacity (i.e. where an entity's deductions for interest fall below 30% in an income year), exceptions for public-benefit assets and whether there will be any transitional rules. However, we would expect the ¬finer details of the proposed change to continue to be developed as we draw closer to 1 July 2023. This measure is expected to generate $720 million over the forecast period.

DENIAL OF SGE DEDUCTIONS FOR PAYMENTS RELATING TO INTANGIBLES

Delivering on an election commitment to ensure multinationals pay their fair share of tax by tackling multinational tax avoidance, the Government will introduce a new anti-avoidance rule targeted at significant global entities which will prevent them from claiming tax deductions for payments made directly or indirectly in relation to intangibles held in low-tax or no-tax jurisdictions.

For this purpose, a low-tax or no-tax jurisdiction is a jurisdiction with:

+ a corporate tax rate of less than 15%; or
+ a tax preferential patent box regime without sufficient economic substance.

A patent box is a tax regime that provides a lower tax rate for some types of income derived from certain forms of intellectual property. There are currently more than 20 jurisdictions, including the UK, Singapore and many European countries that have patent boxes or other regimes that offer concessional tax treatments to profits derived from intellectual property.

The measure will apply to payments made on or after 1 July 2023 and is expected to increase receipts by $250 million and increase payments by $6.7 million over the 4 years from 2022-2023.

IMPROVED TAX TRANSPARENCY

In a bid to improve transparency on multinational tax and enhance the tax information made available to the public, from 1 July 2023, the Government will require additional reporting by relevant companies.

Under these measures:

+ Significant global entities will be required to publicly release certain tax information on a country-by-country basis and a statement on their approach to taxation;
+ Listed and unlisted Australian public companies will be required to disclose information on the number of subsidiaries and their country of tax domicile; and
+ All companies tendering for Australian Government contracts worth more than $200,000 will be required to disclose their country of tax domicile by supplying their ultimate head entity's country of tax residence.

BUSINESS TAX MEASURES

OFF-MARKET SHARE BUYBACKS – FRANKING CREDIT MISCHIEF TO END

With effect from 7.30pm on 25 October 2022, the Government will move to align the taxation treatment of off-market and on-market share buybacks conducted by listed public companies.

This will fundamentally mean that no part of the buyback proceeds received by shareholders of a listed company will be regarded as a dividend (and therefore cannot be franked). Consequently, the full proceeds of the off–market buyback will also be taken into account in determining the gain or loss made by the shareholder from the disposal of their shares (whether that be a revenue or a capital gain).

This is a significant development as it removes the opportunity for listed companies to conduct off-market share buybacks to frank the dividend portion of the buyback price using what could otherwise be described, in many cases, as a buildup of surplus franking credits.

From a shareholder's perspective, it removes the ability of shareholders to, in some cases, receive refunds of excess franking credits. This practice has long been viewed as being inequitable as the ability to get a refund favoured shareholders who were tax exempt or tax preferred, such as, superannuation funds.

This change is expected to generate $550 million in additional revenue over the next 4 years.

Notably, this proposed change is in addition to the proposed change to deny the availability of franking credits in respect of dividends paid using funds obtained from a new equity raising. This latter measure was originally announced on 19 December 2016 and had largely been forgotten about until recently when Treasury released an exposure draft of the legislation last month. It is clear that this older measure and the newly announced comparable treatment for on- and off-market share buybacks are both viewed as integrity measures to limit the ability of companies to distribute franking credits which, in the ordinary course of events, could not otherwise be used by companies.

INTANGIBLE DEPRECIATING ASSETS – REVERSAL OF MEASURE TO SELF-ASSESS THE EFFECTIVE LIFE

The previous Government announced in the 2021-2022 Budget that it would allow taxpayers to self-assess the effective life of certain depreciating intangible assets for tax purposes, rather than being required to use the effective life currently prescribed by statute. This was followed up by the introduction of the Treasury Laws Amendment (*Enhancing Tax Integrity and Supporting Business Investment*) Bill 2022 on 9 February 2022 which lapsed on 11 April 2022.

The current Government has now confirmed that it will not be proceeding with this measure due to potential integrity concerns.

This scrapping of this measure is expected to increase receipts by $550 million over the 4 years from 2022-2023.

MAKING COVID-19 BUSINESS GRANTS NON-ASSESSABLE NON-EXEMPT

The previous Government had announced that certain COVID-19 business grants would be treated as non-assessable non-exempt income. The current Government has extended the measure to the following State and Territory payments:

+ Business Costs Assistance Program Four – Construction (Victoria);
+ Licenced Hospitality Venue Fund 2021 – July Extension (Victoria);
+ License, Hospitality Venue Fund 2021 – Top Up Payments (Victoria);
+ Business Costs Assistance Program Round Two – Top Up (Victoria);
+ Business Costs Assistance Program Round Three (Victoria);
+ Business Costs Assistance Program Round Four (Victoria);
+ Business Costs Assistance Program Round Five (Victoria);
+ Impacted Public Events Support Program Round Two (Victoria);
+ Live Performance Support Program (Presenters) Round Two (Victoria);
+ Live Performance Support Program (Suppliers) Round Two (Victoria);
+ Commercial Landlord Hardship Fund 3 (Victoria);
+ HOMEFRONT 3 (ACT); and
+ Small Business Hardship Scheme (ACT).

One would have thought a more general approach to these payments, rather than specifically identifying eligible payments, would be the more sensible approach to take, or perhaps it is merely optimism that no future payments will be made for COVID disruptions.

CLIMATE CHANGE AND NATURAL DISASTERS

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The Government has announced a range of measures to combat climate change, and to provide assistance in respect of the recent floods. Some of the key measures include:

$20.0 BILLION

in funding to establish Rewiring the Nation to expand and modernise Australia's electricity grids, unlocking new renewables and storage capacity and driving down power prices

$3.0 BILLION

provision to meet the disaster recovery costs from recent flooding events. This funding will be used for government payments to individuals and to help support state efforts to alleviate the immediate hardship being experienced by communities and businesses

$1.1 BILLION

over 6 years from 2022–2023 to continue to support the sustainable management of Australia's natural resources as well as local and long-term environmental, sustainable agriculture and Indigenous outcomes through the next phase of Natural Heritage Trust funding

$278.1 MILLION

over 5 years to expand investment in nationally significant, transformational water infrastructure projects such as the Cairns Water Security Project and Tasmanian Pipeline

$275.7 MILLION

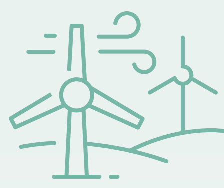
over 4 years from 2022–2023 to support establishing a strong Department of Climate Change, Energy, the Environment and Water

$275.4 MILLION

over 6 years from 2022–2023 to establish the Driving the Nation Fund for investment in cheaper and cleaner transport

$224.3 MILLION

over 4 years from 2022–2023 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



$157.9 MILLION

over 6 years from 2022–2023 (and $1.1 million per year ongoing) to support the implementation of the National Energy Transformation Partnership which will deliver cleaner and more secure and reliable energy for Australians

$105.2 MILLION

to support First Nations people to respond to climate change in their communities

Part of this committed spending will be offset by the Government's reversal or redirection of several measures and government projects totalling approximately $5.35 billion.

ELECTRIC CAR DISCOUNT

The Government will cut taxes on electric cars. From 1 July 2022, battery, hydrogen fuel cell and plug-in hybrid electric cars will be exempt 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 for 2022-2023); and

not 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 contained in Treasury Laws Amendment (Electric Car Discount) Bill 2022, which is currently before Parliament. If introduced, it is estimated to decrease receipts by $410.0 million and decrease payments by $65.0 million over the 4 years from 2022–23.

SCRAPPED TAX AND SUPER REFORMS

The Government has decided to scrap a range of tax and regulatory reforms that were announced but not legislated by the previous Government. The choice of measures is interesting, the motivations behind the choices unclear, and they will impact many businesses to some degree.

These measures are summarised below:

Section 974-80 survives

During December 2014, the Board of Taxation recommended that, to address the uncertainty around the operation of the existing debt/equity provisions, both section 974-80 and the existing related scheme rules be repealed and replaced with a new scheme aggregation rule. This recommendation was made off the back of criticism that the scope of these equity-override integrity provisions was too broad, and their scope therefore required clarification.

Despite this remaining an area of significant uncertainty for tax professionals, the Government has announced that it will not be proceeding with these reforms.

TOFA rules will no longer be simplified

The Government will not be proceeding with the previous Government's 2016-2017 proposal to simplify the taxation of financial arrangement (**TOFA**) rules. These measures would have removed the majority of taxpayers from the TOFA rules and significantly reduced compliance costs by:

1. Simplifying and more closely aligning the tax and accounting concepts in the TOFA rules;
2. Simplifying the accruals and realisation rules (thereby reducing the arrangements where spreading of gains and losses is required under TOFA);
3. Introducing a new tax hedging regime which is easier to access, encompasses more types of risk management arrangements (including risk management of a portfolio of assets) and removes the direct link to financial accounting; and
4. Simplifying the rules for the taxation of gains and losses on foreign currency to preserve the current tax outcomes but streamline the legislation.

It should be noted that the start date of these measures was delayed in the 2018-2019 Budget to allow additional time to design the simplified rules, to prevent unintended outcomes and to ensure compliance cost savings are realised.

Reforms to clarify the tax treatment of Islamic financing scrapped

Off the back of the Board of Taxation's review into the tax treatment of Islamic financing products, the 2016-2017 Budget announced that it proposed to remove key barriers to the use of asset backed financing.

Many types of Islamic financing arrangements are not treated as loans for tax purposes, which potentially subjects what is (in substance) a financing transaction to GST, stamp duty and taxation under the trading stock/capital gains tax rules. In essence, these measures were proposed to clarify the tax treatment of such financing arrangements and ensure that they are treated in the same way as financing arrangements based on interest bearing loans or investments.

An Australian limited partnership fund vehicle will no longer be introduced

The Government has scrapped the 2016-2017 Budget proposal to introduce a new limited partnership fund vehicle. It is a shame that the Government has dropped this initiative as the unit trust, being Australia's most used vehicle, remains unfamiliar to many international investors.

Currently, the limited partnership fund structure is only available for qualifying venture capital investments – and it seems that this will continue to be the case for the foreseeable future. Having said that, given the complexity and lack of overwhelming improvement in the corporate collective investment vehicle measures introduced with effect from 1 July 2022, perhaps this is a good thing and we will see improved measures in due course.

No relaxing of the self-managed superannuation fund (SMSF) audit requirement

The 2018-2019 Budget previously announced that it would change the annual audit requirement to a three-yearly requirement for SMSFs with a history of good record-keeping and compliance. This change will no longer be enacted.

$10,000 limit on cash payments will not proceed

The Government will not proceed with the 2018-2019 Budget proposal to place a $10,000 limit on cash payments made to businesses for goods and services. This measure was designed to combat tax evasion and money laundering.

Reporting of retirement income products to stay the same

The 2018-2019 Budget proposed to amend the Corporations Act 2001 to introduce a requirement for providers of retirement income products to report simplified, standardised metrics in product disclosure to assist customer decision making. The Government will not proceed with this measure.

No DGR status for pastoral care in schools

The Government will not be proceeding with a 2021-2022 proposal to establish a deductible gift recipient (**DGR**) general category to enable funds that support pastoral care and analogous wellbeing services delivered to students in Australian primary and secondary schools to access DGR status.

The Government has also announced that it will defer the start dates of the following legacy tax and superannuation measures:

+ The start date of the sharing economy reporting regime will be delayed to allow sufficient time for it to be legislated and implemented. When introduced, the reporting regime will require operators of electronic platforms within the sharing economy (ride-sourcing, short-term accommodation, asset sharing, food delivery, task-based services, etc.) to report identification and payment information regarding participating sellers to the ATO for data matching purposes.
+ The proposed relaxing of certain residency requirements that were designed to allow SMSF and small APRA-regulated fund investors to continue to contribute to their fund whilst temporarily overseas. This measure was originally expected to be enacted prior to 1 July 2022.
+ Technical amendments to the TOFA rules to facilitate access to hedging rules on a portfolio hedging basis. These measures were also originally intended to take effect for transactions entered into on or after 1 July 2022.

There are a range of other announced but unenacted measures which were not addressed by the Government in its budget papers. For example, the previous Government announced changes in the 2020-21 Federal Budget to clarify that foreign-incorporated companies would not be treated as Australian tax residents unless they had a "significant economic connection to Australia". It was intended that taxpayers could optionally apply the changes from 15 March 2017 but, disappointingly, many foreign-incorporated companies remain in a position of uncertainty in relation to their Australian tax residency status.

This Budget would have been an ideal opportunity for the Government to announce its position on several other key announced but unenacted measures.

OTHER MEASURES ANNOUNCED

INCREASE TO FEES AND PENALTIES

In a bid to deter unlawful behaviour and contribute to budget repair, the Government has announced an increase in the amount of the Commonwealth penalty unit from $222 to $275. The approximately 24% increase will come into effect from 1 January 2023, and will apply to offences committed after this date, including in relation to financial, tax and fraud offences.

Tax laws authorise the ATO to impose penalties when taxpayers fail to meet their tax obligations. Fines are calculated by multiplying the value of one penalty unit by the number of penalty units prescribed for the offence. As an example, if a significant global entity is late in lodging its tax return, it will be liable for a penalty amount of $137,500 for each 28-day period that the tax return remains outstanding from 1 January 2023 compared with $111,111 for the same period prior to 1 January 2023.

INCREASED FUNDING FOR ATO COMPLIANCE PROGRAMS

Compliance has become an increasingly important focus area for the ATO, and the ATO has been encouraging taxpayers and tax agents to engage with the ATO early to target its compliance activity. In light of this, the Government has announced it will provide $80.3 million to the ATO to extend the Personal Income Taxation Compliance Program from 1 July 2023 to 1 July 2025, representing its commitment to deliver proactive, preventative and corrective activities and improve its detection of non-compliance. The funding will be contributed to key areas of non-compliance, including overclaiming of deductions and incorrect reporting of income.

The ATO is also committed to tackling the shadow economy and creating a level playing field for all taxpayers. The "shadow economy" (formerly referred to as the "black economy") refers to dishonest and criminal activities that take place outside the tax and regulatory systems. The Government will extend the existing ATO Shadow Economy Program for a further 3 years from 1 July 2023, which 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. Shadow economy activities include not reporting or under-reporting income and underpayment of wages, as well as sham contracting (presenting an employment relationship as a contracting arrangement), which has become a hot topic considering the outcomes of recent High Court cases.

Further, the Government has boosted funding for the ATO Tax Avoidance Taskforce and extended this taskforce for a further year from 1 July 2025. Formed in 2016, the Tax Avoidance Taskforce ensures multinational enterprises, large public and private businesses (and associated individuals) pay the right amount of tax in Australia, which enhances and extends existing activities to eradicate illegal and fraudulent tax arrangements. As of June 2021, the Tax Avoidance Taskforce had recovered $22.9 billion in tax liabilities. The boosting and extension of the taskforce will support the ATO in pursuing new priority areas of observed business tax risks.

It is important to note that this increased funding is expected to provide significant savings to the budget (approximately $4.7 billion over the forecast period).

CLARIFYING THAT DIGITAL CURRENCY WILL NOT BE TAXED AS FOREIGN CURRENCY

In June 2022, the Government announced it would introduce legislation to exclude digital currencies such as Bitcoin from being treated as foreign currency for Australian income tax purposes. The proposal was made to ensure that the current tax treatment of digital currency was maintained (being capital gains tax treatment where they are held as an investment), following uncertainty created by El Salvador treating Bitcoin as currency. Exposure draft legislation and explanatory materials were recently released for public consultation by Treasury, which has now closed. The Federal Budget papers confirm the Government will introduce legislation.

The Board of Taxation is currently conducting a review of the tax treatment of digital assets and transactions in Australia, whereby it recently invited interested stakeholders to make a submission. Submissions are now closed. It will be interesting to see developments in the tax landscape for the digital asset space, which is much needed given the evolving nature of the industry.

TAX PRACTITIONERS BOARD – COMPLIANCE PROGRAM TO ENHANCE TAX SYSTEM INTEGRITY

The Government has committed to providing $30.4 million to the Tax Practitioners Board to increase compliance investigations into high-risk tax practitioners and unregistered preparers over 4 years from 1 July 2023.

The measure is estimated to increase receipts by $81.9 million, and increase payments by $30.8 million, over the 4 years from 2022–23 (including an increase in GST payments to the States and Territories of $10.0 million).

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