

The dynamic Australian tax landscape

What is the issue?

With an upcoming Federal Budget on 2 April 2019 and Federal Election that must be held before 19 May 2019, we are entering a “perfect storm” situation where various political parties are proposing a variety of tax policies that they hope will give them a better chance of winning the Federal Election.

Make no mistake, tax is complicated and constantly changing (we have numerous volumes of tax legislation, commentaries, case law and ATO documents seeking to interpret that legislation). Constant tax tinkering makes it quite challenging for taxpayers to keep up with the current state of tax laws and understand how they may be affected.

How are taxpayers affected?

To assist taxpayers distil a practical understanding of how tax may affect their current situation, we have set out below a brief overview / snapshot of several key:

1. recently legislated changes to tax laws;
2. proposed changes to tax laws that are not yet law (i.e. these proposals are either before Parliament or with Treasury); and
3. tax policies proposed by the Labor Party (currently, most tax changes proposed by the Liberal Party are either before Parliament or on their way to Parliament).

1. Recent legislated changes to tax laws (i.e. law applies)

	What is the legislated change?	What taxpayers are likely to be affected?	Date of application
1	Tax companies with aggregated turnover of less than \$50 million (in 2018 the turnover threshold was \$25 million) at: <ul style="list-style-type: none">• 30% - if at least 80% or more of their income is passive income; or• 27.5% - if less than 80% of their income is passive income	Companies with aggregated turnover of less than \$50 million	From 1 July 2018
2	Increased barriers to claiming small business capital gains tax concessions when selling shares in a company or interests in a trust	CGT small business entities (i.e. entities with an aggregated turnover of less than \$2 million or net asset value of \$6 million or less) that sell shares in a company or interests in a trust	For sale of shares in companies or interests in trusts from 8 February 2018
3	Improved accessibility of tax losses to future periods through new “similar business test” loss integrity measure (awaiting Royal Assent)	Companies with tax losses	For losses incurred by companies from 1 July 2015
4	Extend single touch payroll (STP) reporting to employers with less than 20 employees (awaiting Royal Assent)	Employers with less than 20 employees	From 1 July 2019

2. Recent proposed changes (i.e. not yet law)

	What is the proposed change?	What taxpayers are likely to be affected?	Date of application
1	Increase instant asset write-off from \$20,000 to \$25,000 (Bill in Parliament)	Any small business entity (i.e. entity with aggregated turnover of less than \$10 million and is carrying on a business) that buys assets for the business.	From 29 January 2019 to 30 June 2020
2	Limit deductions for expenses of holding vacant land (Draft legislation)	Land owners and their related entities (exemption for property developers & primary producers)	Deductions from 1 July 2019 (regardless of when vacant land was acquired)
3	Major changes to Division 7A covering loans between private companies and related entities (Consultation paper)	Private companies, related trusts, shareholders and associates of shareholders	From 1 July 2019 and other various dates
4	Removal of CGT main residence exemption if sell main residence while non-resident for tax purposes (held up in Senate and not currently on 2019 Senate discussion list)	Individuals who sell their main residence while they are non-residents for tax purposes (e.g. people on secondment overseas who may be non-residents of Australia for tax purposes)	From 1 July 2019 (and transitional rules from 9 May 2017 to 30 June 2019)

3. Recent tax policies proposed by Labor Party (i.e. not yet law)

	What is the Labor Party tax proposal?	What taxpayers are likely to be affected?	Date of application
1	Increase top marginal rate from 45% to 47% (with Medicare levy, top marginal rate will be 49% on earnings more than \$180,000)	Individuals earning more than \$180,000 a year	Unknown
2	No cash refund of excess imputation credits / franking credits (affects individuals & superfunds but not charities or individuals on government pensions)	Individuals on low incomes (excluding pensioners)	From 1 July 2019
3	Reduce CGT discount for individuals and trusts from 50% to 25%	Individuals and trusts selling CGT assets they have held for 12 months or more	Unknown
4	Limit negative gearing to only investments in newly constructed housing (all investments made before the start date of this proposed change will be fully grandfathered)	Buyers of investment properties	Unknown
5	Tax discretionary trust distributions at 30% (i.e. a beneficiary over 18 years of age is to be taxed at 30% - however if the beneficiary is on a higher marginal tax rate, the distribution will be taxed at the higher rate)	Beneficiaries over 18 years of age	Unknown
6	Immediate 20% write-off for assets costing \$20,000 or more	All businesses (not just small businesses)	From 1 July 2021

How can Findex and Crowe Horwath help you?

If anything in this tax snapshot triggered your interest or if you may be affected by these changes, your Findex or Crowe Horwath Adviser would be pleased to discuss your circumstances in more detail.

Through our specialist Tax Advisory team across Australia, we can help you identify and manage **risks** and utilise potential **opportunities** that may be relevant to your situation.

Our **Family Office Model** means that regardless of the location or service offering of your key relationship manager, we can access the right Tax Advisory expertise for you.

Roelof van der Merwe

National Tax Director - Tax Advisory