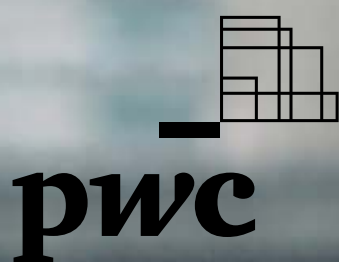


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**PwC's
Federal Budget
Insights
2018**



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Overview

Three-quarters of one percent doesn't sound like much. But, when it's the difference between the rate at which Treasury thought the Australian economy would grow, and how much it actually did grow, it's quite a bit.

Economic growth this year will be 4.25 per cent (nominal), up from a forecast 3.5 per cent. In the context of the 2018-19 Federal Budget, this translates to a near \$26 billion revenue windfall to the Government's coffers, compared to the Mid-Year Economic and Fiscal Outlook projections from December. Fully half of this increase is a result of improvements in personal income tax receipts – more people in more jobs, paying more tax.

A return to surplus has gone from being a mirage on the distant budget horizon, to almost within grasp. In only two more years, and after 11 consecutive budget deficits spanning four Treasurers, in 2019-20 we will see a modest, \$2.2 billion surplus (which the Budget papers politely refer to as the budget being in balance). The realisation of the Government's target of a budget surplus of one per cent of GDP will have to wait until beyond the forward estimates.

Tax cuts amounting to \$140 billion over the next decade – admittedly, the vast bulk of which are significantly back-ended - and only modest further expenditures savings of \$400 million over the forward estimates, are probably the clearest signal yet of an imminent Federal election.

Indeed, you have to look closely to try to find any real losers in Treasurer Morrison's third budget. In addition to income tax cuts across the board, there are a host of new expenditure programs. These include signature initiatives in the health sector and funding for medical research, as well as significant spending on infrastructure (particularly transport), aged care, environmental protection, education and training, spending in the regions, a pensioner work bonus, and investment in public technology infrastructure. It really is budget generosity that would make Oprah Winfrey blush!

Against the backdrop of a Royal Commission, though, financial services were always going to

figure in the 2018-19 budget. The budget retains the bank levy on liabilities, announced last year, and reaffirmed the Government's commitment to establishing the new Australian Financial Complaints Authority, which will stand-up on 1 November this year. There are consumer-friendly reforms flagged for the superannuation sector, intended to make it easier and cheaper for Australians to change funds, and to cap fees on accounts with low balances.

The black economy is also in the ATO's sights, with an estimated tax dividend of \$5.3 billion over the next four years, along with a move to 'level the playing field' for the digital economy. From 1 July 2019, the Government will extend GST to apply to offshore sellers of Australia accommodation – think here the many overseas-based web platforms – with a discussion paper to come shortly on further options for taxing digital businesses in Australia.

In what is clearly a pre-election budget, the Government has certainly delivered with a wide range of announcements likely to be favourably received by Australian individuals and businesses. The immediate hurdle will be navigating the Senate, and securing cross-bench support for any measures which are not waved through by the Opposition. From there, time will tell if the announced measures will result in long-term and sustainable economic prosperity for the country.



02

Corporate Tax

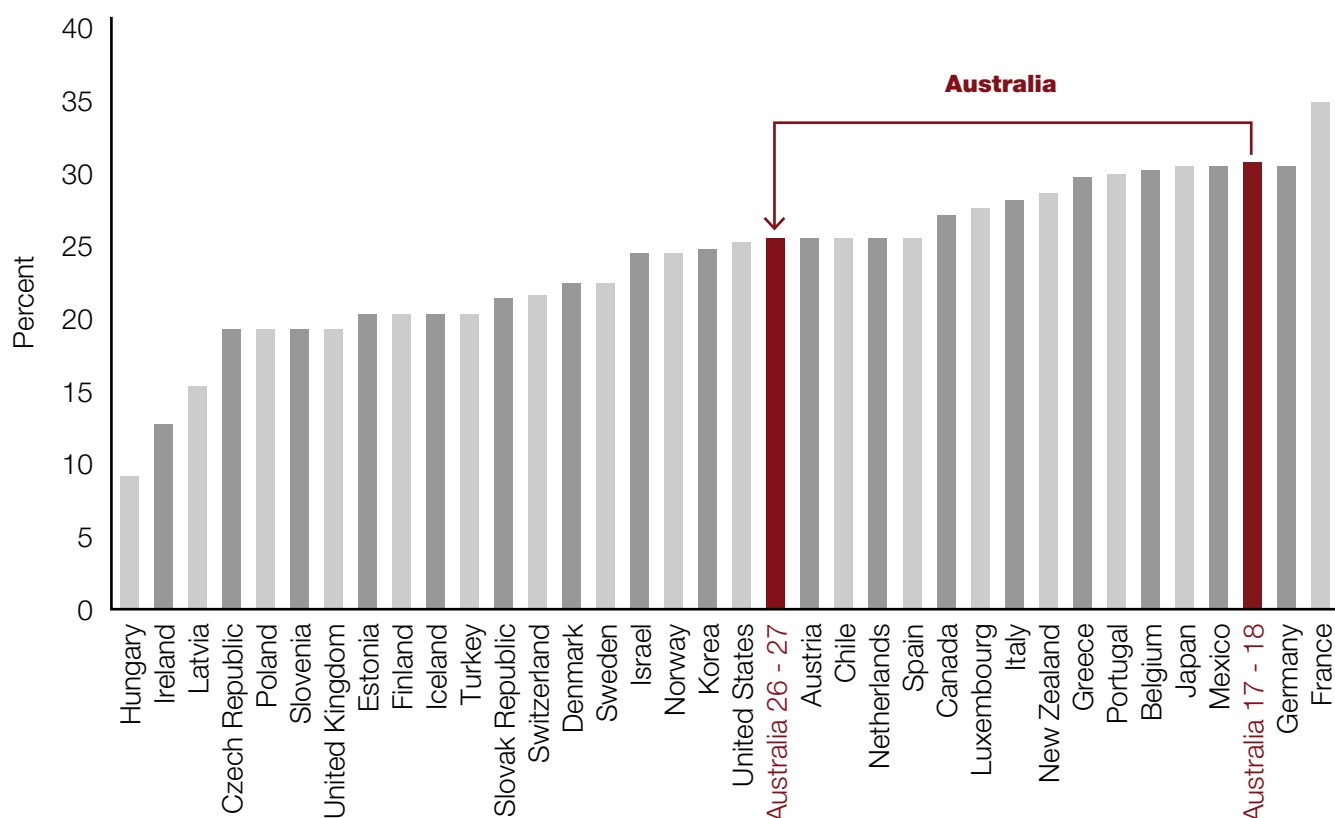
The Government is continuing to move forward with its ten-year enterprise tax plan to progressively reduce the corporate tax rate to 25 per cent by the 2026-27 income year.

Since it first announced its ten-year corporate tax rate reduction proposal in the 2016-17 Budget, the Government has managed to successfully enact a 25 per cent rate but only for companies with an aggregated turnover of up to \$50 million, with the globally uncompetitive 30 per cent rate still applying to all other companies.

Only time will tell whether there is political appetite to progress the measures that are currently before Parliament to reduce the company tax rate beyond those companies with aggregated turnover in excess of \$50 million, given the new revenue measures announced in this year's Budget.

There is a need to lower the rate to attract international investment so as to drive domestic wage and economic growth. As illustrated by Figure 1 below, a reduction in the corporate tax rate to a flat 25 per cent for all companies will improve Australia's ranking as compared to other OECD countries.

Figure 1: OECD corporate tax rates



Source: "Lower taxes for a stronger economy", Hon Scott Morrison MP, Treasurer, Address to Australian Business Economists, 26 April 2018. Originally sourced from 2017 OECD Revenue Statistics and Treasury.

Note: All listed rates are combined central and provincial government company tax rates. All listed rates are current as of the end of 2017, except for the US with its lower rate having come into effect 1 January 2018 and Belgium with its lower rate having come into effect for all companies in early 2018.

Personal Tax

As expected, the Government has announced a seven-year Personal Income Tax Plan commencing from 1 July 2018, with a particular focus on low to middle income earners. Other integrity measures were also announced affecting some higher income earners.

Changes to personal income taxes

The first phase in the Government's seven-year Personal Income Tax Plan provides tax relief from 1 July 2018 to low and middle income earners (via a new Low and Middle Income Tax Offset) and an increase to the top threshold at which the 32.5 per cent personal tax bracket applies. Later phases

will then further increase the threshold for the 32.5 per cent personal income tax bracket and eventually remove the 37 per cent personal income tax bracket.

Low and Middle Income Tax Offset

The Low Income Tax Offset for Australian tax residents earning less than \$37,000 per year currently corresponds to \$445 per annum (and applies on a reducing scale until it is eliminated for those with taxable income above \$66,667). The Government has announced a new Low and Middle Income Tax Offset which will apply in addition to the Low Income Tax Offset. This will result in a combined offset of up to \$975 per year for some taxpayers from 1 July 2018.

Specifically, from the 2018-19 income year and until the 2021-22 income year, Australian tax residents will receive (depending

on their level of taxable income, and in addition to the existing Low Income Tax Offset) the following non-refundable tax offsets:

- Up to \$200 for taxpayers with taxable income of \$37,000 or less
- Up to \$530 for taxpayers with taxable income between \$37,000 and \$48,000 (\$200 for taxpayers with taxable income of \$37,000 with an increase of three cents per dollar thereafter up to \$530), and
- \$530 for taxpayers with taxable income between \$48,000 and \$90,000.

For taxpayers with taxable income between \$90,001 to \$125,333, the offset will phase out at a rate of 1.5 cents per dollar.



Change to the personal income tax brackets

The Government has also announced its intention to eventually scrap the 37 per cent tax bracket. In a welcome move to simplify rates, a flat tax rate of 32.5 per cent will be introduced for all taxpayers earning between \$41,000 and \$200,000. This measure will apply in its entirety from 1 July 2024, with gradual changes applying from 1 July 2018.

From 1 July 2018:

- The top income level at which the 32.5 per cent personal income tax bracket will apply will increase from \$87,000 to \$90,000.

From 1 July 2022:

- The top income level at which the 19 per cent personal income tax bracket will apply will increase from \$37,000 to \$41,000.
- The top income level at which the 32.5 per cent personal income tax bracket will apply will increase from \$90,000 to \$120,000; and
- The Low Income Tax Offset will be adjusted as a consequence.

From 1 July 2024:

- The top income level at which the 32.5 per cent personal income tax bracket will apply will increase from \$120,000 to \$200,000; and

- The highest marginal tax rate of 45 per cent will apply to taxable income exceeding \$200,000 (increased from \$180,000).

The changes planned from 1 July 2024 will see the 37 percent tax bracket entirely removed. This will mean the 32.5 per cent tax bracket will then apply to taxable incomes ranging from \$41,001 to \$200,000.

The following table summarises the relevant changes as announced.

Table 1: Income tax rates for Australian tax residents

Rate (%)	Current tax thresholds Income range (\$)	Thresholds from 1 July 2018 Income range (\$)	Thresholds from 1 July 2022 Income range (\$)	Thresholds from 1 July 2024 Income range (\$)
Tax free	0 - 18,200	0 - 18,200	0 - 18,200	0 - 18,200
19	18,201 - 37,000	18,201 - 37,000	18,201 - 41,000	18,201 - 41,000
32.5	37,001 - 87,000	37,001 - 90,000	41,001 - 120,000	41,001 - 200,000
37	87,001 - 180,000	90,001 - 180,000	120,001 - 180,000	
45	> 180,000	> 180,000	> 180,000	> 200,000

Table 2: Income tax offsets for Australian tax residents

Income tax offsets	Current	From 1 July 2018	From 1 July 2022
Low and Middle		Up to \$530	
Low	Up to \$445	Up to \$445	Up to \$645

Changes to the taxation of minor beneficiaries of testamentary trusts

From 1 July 2019, the concessional tax rates available for minors receiving income from testamentary trusts will be limited to income derived from assets that are transferred from the deceased estate or the proceeds of the disposal or investment of those assets.

This ensures that minors will be taxed at adult marginal tax rates only in respect of income a testamentary trust generates from assets of the deceased estate (or the proceeds of the disposal or investment of these assets).

This is intended to prevent taxpayers inappropriately obtaining the benefit of the lower tax rates by injecting assets unrelated to the deceased estate into the testamentary trust.

Medicare levy

The proposed increase in the Medicare levy that was included in last year's Federal Budget (proposed to apply from 1 July 2019) will no longer proceed. This means that for the 2019-2020 income year the Medicare levy will remain at 2 per cent of taxable income. Consequential changes to other tax rates that are linked to the top personal tax rate, such as the fringe benefits tax rate, will also not proceed.

The Medicare levy low-income thresholds for singles, families and seniors and pensioners will increase for the 2018-19 income tax year as follows:

- Individuals \$21,980 (increased from \$21,655)
- Families \$37,089 (increased from \$36,541), with an

additional \$3,406 for each dependent child or student (increased from \$3,356)

- Single seniors and pensioners \$34,758 (increased from \$34,244), and
- The family threshold for seniors and pensioners will be increased to \$48,385 (increased from \$47,670) plus \$3,406 for each dependent child or student (increased from \$3,356).

Private health insurance and Medicare levy surcharge

The current private health insurance rebate entitlements and surcharge applicable to individuals who do not have the appropriate health insurance hospital cover, from 1 April 2018 to 31 March 2019 will be as follows:

Table 3: Private health insurance rebate entitlements and Medicare levy surcharge from 1 April 2018 to 31 March 2019

	Full entitlement	Tier 1	Tier 2	Tier 3
Taxable income				
Singles	\$90,000 or less	\$90,001 - \$105,000	\$105,001 - \$140,000	> \$140,000
Families	\$180,000 or less	\$180,001 - \$210,000	\$210,001 - \$280,000	> \$280,000
Rebate				
Aged under 65 years	25.42%	16.94%	8.47%	0%
Aged 65 - 69 years	29.65%	21.18%	12.71%	0%
Aged 70 or over	33.89%	25.42%	16.94%	0%
Medicare Levy surcharge				
All ages	0.00%	1.00%	1.25%	1.50%

Note: For families with children, the thresholds are increased by \$1,500 for each child after the first.

Taxing income derived from an individual's fame or image

Under a new integrity measure announced in this Federal Budget, from 1 July 2019, high profile individuals, such as sportspersons and actors, who licence their fame or image to a related entity, such as a company or trust, will continue to be assessed on all of the income derived from such use.

Under a draft Practical Compliance Guideline issued in 2017, the Australian Taxation Office (ATO) had indicated that it would accept that up to ten percent of lump sum payments for the provision of a professional sportsperson's services and the use and exploitation of their 'public fame' or 'image' under licence to an associated resident third party can be treated as the income of the associated licensee.

The introduction of this budget measure will effectively treat all remuneration, including non-cash benefits, derived from the exploitation of a person's fame or image as assessable income to the individual, to be taxed at their respective personal marginal tax rates.

Pathway to Permanent Residency for Retirement Visa Holders

The Government will introduce a pathway to permanent residency for holders of Retirement (subclass 410) and Investor Retirement (subclass 405) visas.

From 2018-19 financial year, permanent migration places will be quarantined for retirement visa holders each year and, consequently, the subclass 405 visa will be closed to new applicants. The subclass 410 visa is already closed to new applicants.

Research and Development

As expected, the Government has announced measures in this Budget that affect the application of the research and development (R&D) tax incentive. These measures are scheduled to apply from as early as 1 July 2018 and are expected to save the Government \$2.4 billion over the forward estimates.

A revised Research and Development tax incentive

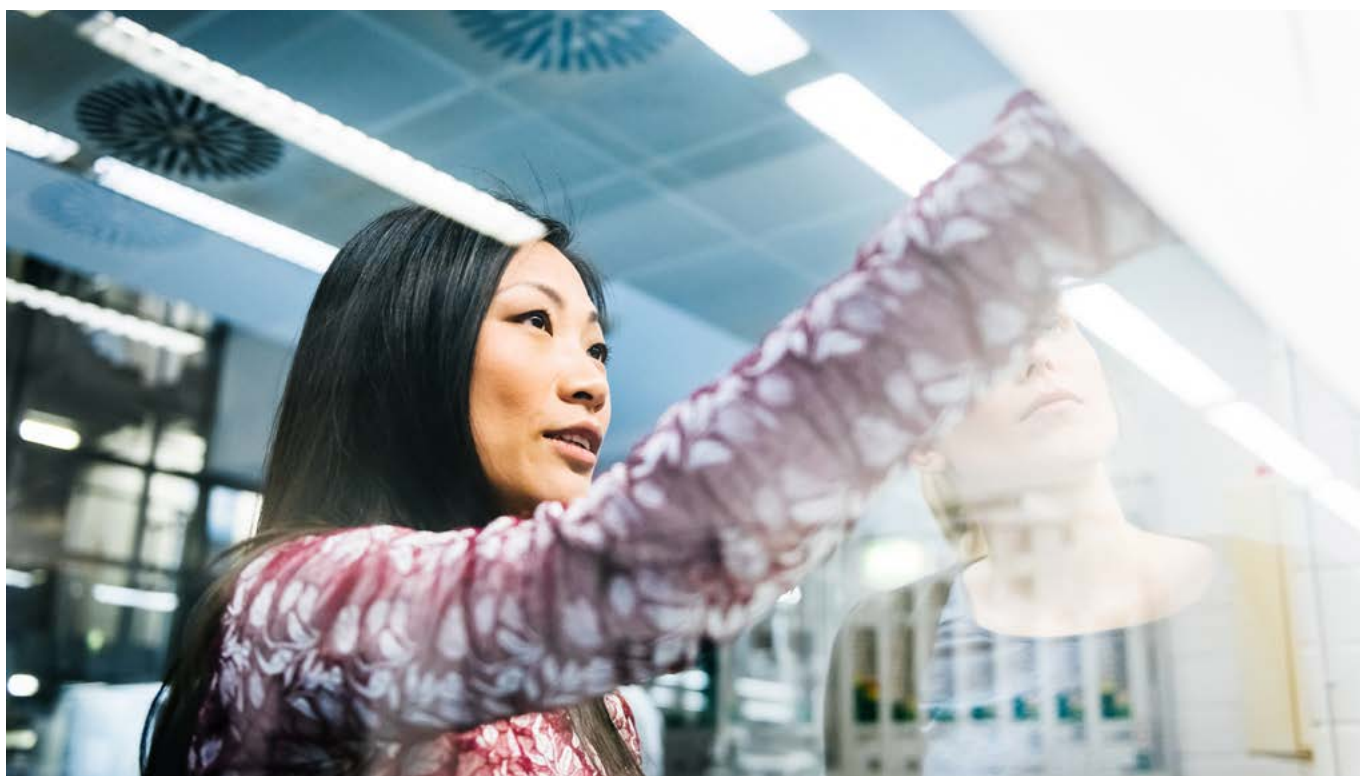
The Government's response follows the 2017 R&D Tax Incentive Review conducted by Chair of Innovation Australia Bill Ferris, Australia's Chief Scientist Alan Finkel, and Secretary to the Treasury John Fraser. While a number of the recommendations from this review have been ignored, the Government has picked up on the themes of increasing the integrity of the programme and focusing on rewarding additionality by introducing a tiered R&D intensity measure.

The proposed changes largely revolve around winding back the benefit available to larger claimants (those with an

aggregated turnover of at least \$20 million) who will see the net benefit of claims drastically reduce in most cases. Smaller claimants have fared somewhat better although those paying the lower company tax rate of 27.5 per cent will still see their benefit drop from 16 per cent to 13.5 per cent net benefit when in a tax payable position.

The only real winner appears to be medical research companies who have been carved out of a new \$4 million annual refund cap. As such, their benefit will remain largely unchanged.

The Government has indicated that it will undertake a consultation process with industry to assess the impact of the changes, prior to a proposed start date of 1 July 2018.



Refundable R&D Tax Offset (aggregated turnover less than \$20 million)

The refundable R&D tax offset will be capped at \$4 million annually, however this will likely only apply to a small number of claimants. Any claim in excess of \$4 million will be carried forward as non-refundable offsets to future years. Clinical trials will be excluded from the \$4 million cap.

The net benefit of the refundable offset will be fixed at 13.5 per cent by linking it to the company tax rate. The linking of the R&D benefit to a company's tax rate will seek to remove the complexity of a variable benefit with changing corporate tax rates.

Non-Refundable R&D Tax Offset (aggregated turnover of at least \$20 million)

The Government will introduce a new 'R&D Premium' that has a tiered rate of benefit to reward those claimants with higher R&D intensity with higher rates of non refundable offsets.

The Government's rationale for this change is that it will seek to better reward those claimants who spend more on R&D. With the majority of current large company claimants likely to sit in the lowest tier of benefit (4 per cent net benefit) and facing increased 'compliance' and 'integrity', there is a strong chance that many participants in this component will exit the program.

The tiers will be as follows:

R&D Intensity	Benefit above claimant's tax rate
0% - 2%	4%
2% - 5%	6.50%
5% - 10%	9%
10% and above	12.50%

Intensity will be measured as R&D expenditure as a proportion of total expenditure for the year. The total expenditure cap on annual claims will be increased from \$100 million to \$150 million.

Improved integrity

The Government will seek to increase the number of claims subject to review by increasing compliance activities and giving the Australian Taxation Office (ATO) and AusIndustry additional resources.

New transparency measures have also been flagged which will allow the ATO to publicise the details and quantum of R&D claims made by taxpayers.

The Government has also flagged technical changes to the feedstock and clawback provisions of the program, as well as the general anti-avoidance rules.

Private Business

The Government has again supported small businesses by extending the instant asset write off for a further year. This will bring welcome cash flow benefits for many businesses. However, the proposal to bring the treatment of unpaid present entitlements within the operation of the private company deemed dividend rules may have significant cash flow impacts for taxpayers going forward and the detailed impact of these measures will need to be carefully monitored by those affected.

Private company deemed dividends

The deemed dividend rules (Division 7A) apply to treat certain loans from private companies to its shareholders as taxable dividends.

However, currently certain trust distributions to private companies where the amounts remain unpaid (referred to as 'unpaid present entitlements' (UPEs)) have been subject to administrative guidance provided by the Australian Taxation Office (ATO).

The Government will introduce measures to ensure that from 1 July 2019 a UPE will come within the scope of Division 7A and will either required to be repaid to the private company over time as a complying loan or will be subject to tax as a dividend. Presumably this will bring the treatment of UPEs into line with other Division 7A loans, requiring a written loan agreement and repayments of principal and interest over a seven year term (or 25 years where secured over real property).

It is unclear however, whether this change will apply only to future UPEs, or will also transition to existing arrangements in some form. To date, UPEs arising on or before 16 December 2009 have effectively been quarantined according to ATO guidance.

In relation to the Government's previous announcement from the 2016-17 Federal Budget to introduce much needed simplification amendments

to Division 7A more broadly, the start date has been deferred from 1 July 2018 to 1 July 2019.

We eagerly await the release of further details in relation to these particular measures given the need to reduce the complexity of Division 7A.

Immediate \$20,000 write-off of depreciable assets

The Government has extended the immediate deductibility of assets costing less than \$20,000 for small business entities (those with an aggregated annual turnover of less than \$10 million) to 30 June 2019.

The measure will provide additional time for small businesses to access this concession, providing additional incentive for many to increase their current capital expenditure spend. However, the after-tax consequences of the proposed immediate deduction for depreciating assets should be considered. For example, if this results in a tax loss, there is no immediate cash-flow advantage.

Extending specific anti-avoidance rules to circular trust distributions

The Government has announced that from 1 July 2019 it intends to extend the operation of the Trustee Beneficiary Reporting rules to family trusts that engage in circular trust distributions (or 'round robin' arrangements) in a way that avoids any tax being paid on the amount distributed.

The introduction of this measure will allow the ATO to impose a tax on such distributions at a rate equal to the top personal tax rate plus the Medicare levy.

Limiting tax deductions for vacant land

From 1 July 2019, no deductions will be available for expenses associated with holding vacant land, for example, interest expense on loans, where the land is not genuinely held for the purpose of producing assessable income. This will apply to land held for residential or commercial purposes.

The deductions denied cannot be carried forward to offset against income derived in future years. However, the costs may still be added to the Capital Gains Tax (CGT) cost base of the land where they would ordinarily be an element of the cost base.

It is not clear what the tests would be to determine whether the land is “genuinely” held for the purposes of producing assessable income. However, the budget measures will not apply to:

- Expenses associated with holding land that are incurred after a property has been constructed on the land, it has received approval to be occupied and is available for rent; or
- Land used by the owner in carrying on a business, which includes primary production businesses.

However, the ‘carrying on a business’ test will generally exclude land held for commercial development.



Small business CGT concessions and assignments of partnership interests

The Government has announced an integrity measure focussed on access to the small business CGT concessions for partners in partnerships.

From 8 May 2018, partners that alienate their income by creating, assigning or dealing in rights to the future income of a partnership will no longer be able to access the small business CGT concessions on the capital gain made in relation to the right.

There are no changes to the concessions themselves, which will continue to be available to provide relief relating to the disposal of assets of eligible small businesses. Eligible small businesses are generally those with an aggregated annual turnover of less than \$2 million or net assets less than \$6 million, although there is generally further complexity in applying the rules.

Global Taxes

As part of this year's budget, the Government has announced further measures to ensure that multinational businesses are paying their fair share of tax.

Over the past five years, Australia has been a strong supporter of the Organisation of Economic Cooperation and Development (OECD)/G20 Base Erosion and Profit Shifting (BEPS) program, which includes 15 Action items.

Australia has already introduced a number of measures supported by the BEPS program in addition to a number of unilateral measures which appear to go beyond the BEPS recommendations. Most recently, the Government has introduced legislation to implement the OECD Multilateral Instrument (MLI), and we also expect to see legislation to give effect to the hybrid mismatch rules introduced into Parliament in the current Winter sittings. Further measures were announced in this budget.

Amending the definition of significant global entity

Broadly, a significant global entity (SGE) is an entity which has annual global income of \$1 billion or more, or is part of a group of entities consolidated for accounting purposes with annual global income of \$1 billion or more. As part of the 2018-19 Federal Budget, for income years commencing on or after 1 July 2018, the definition of a SGE will be broadened to include members of large multinational groups headed by private companies, trusts and partnerships. It will also include members of groups headed by investment entities. The broadened definition of SGE may now result in foreign investment funds and foreign pension funds being classified as SGEs for tax purposes.

This measure will also ensure the Commissioner's power to determine an entity to be a SGE parent operates as intended.

SGEs are required to prepare Country-by-Country (CbC) reports and may be subject to Australia's multinational tax integrity rules, such as the Multinational Anti-Avoidance Law (MAAL) and the Diverted Profits Tax (DPT), and also subject to enhanced penalties.

The expansion of those entities that could qualify as a SGE will significantly increase the number of multinational entities that are subject to Australia's existing reporting obligations and anti-avoidance and integrity rules.

Further tightening on cross-border financing and thin capitalisation

Once again, thin capitalisation has featured in the Federal Budget, with additional integrity measures to apply. It is clear that the practical application of Australia's thin capitalisation rules continues to create confusion and potential compliance risks. No doubt against that backdrop, and the continued Government focus on multinationals and BEPS, the Government has announced a number of measures designed to further restrict deductions for interest in Australia under the thin capitalisation rules.

Preventing 'double gearing' structures

The Government has already announced (as part of its package of integrity measures released in March 2018 to 'address the sustainability and tax integrity risks posed by stapled structures and limit the concessions currently available to foreign investors for passive income') that the thin capitalisation rules will be amended to prevent foreign investors from using multiple layers of flow-through entities (i.e. trusts and partnerships), each issuing debt against the same underlying asset to convert trading income into interest income which is taxed at a lower rate.

Specifically, under these new measures which are to apply to income years commencing on or after 1 July 2018, the threshold at which an entity becomes an 'associate entity' for

thin capitalisation purposes is to be reduced from ownership of 50 per cent or more to 10 per cent or more. No transitional period was provided for existing arrangements.

Tightening asset valuations

The Australian Taxation Office (ATO) has been actively reviewing a number of issues concerning the application of Australia's thin capitalisation laws over the past few years. One of the matters of concern for the ATO has been the revaluation of assets for the purposes of the thin capitalisation safe harbour rule.

The choice to revalue assets for thin capitalisation purposes was introduced by the Government in 2008, following the adoption of

International Financial Reporting Standards in 2005.

As part of the 2018-19 budget package, the Government announced that for income years commencing on or after 1 July 2019, the thin capitalisation rules will be tightened by requiring entities to rely on the asset values contained in their financial statements. Valuations that were made prior to the 2018-19 budget announcement at 7.30PM (AEST) on 8 May 2018 may be relied on until the beginning of the entity's first income year commencing on or after 1 July 2019.

Dealing with consolidated entities that are 'inbound' and 'outbound'

With effect from income years

commencing on or after 1 July 2019, the Government has announced that it will ensure foreign controlled Australian consolidated groups (including multiple entry consolidated groups) that control a foreign entity will be treated as both outward and inward investment vehicles. The proposed measure will ensure that these entities cannot access the relevant tests that were only intended to apply for outward investors.

Summary of BEPS Action items in Australia

Table 4 below provides a summary of Australia's actions to date in relation to each of the 15 Action items, including the measures announced as part of the 2018-19 Federal Budget.

Table 4: Summary of BEPS Action items in Australia

BEPS Action item	Australia's actions to date
OECD Action 1: Tax challenges of a digital economy	<p>The Australian Government has enacted measures to apply Goods and Services Tax (GST) to the supply of digital products and services imported by Australian consumers with effect from 1 July 2017. This year's budget confirms Australia's commitment to take further steps in relation to the so-called 'digital economy' by extending the GST to Australian hotel bookings made through offshore digital businesses, so they face the same tax treatment as Australian businesses (for further information, refer to our Indirect Taxes insights).</p> <p>The Government also indicated that in the coming weeks it will release a discussion paper that will explore options of taxing digital businesses in Australia.</p>
OECD Action 2: Neutralise hybrid mismatch across borders allowing double non-taxation	<p>On 7 March 2018, the Australian Government introduced exposure draft legislation in relation to hybrid mismatches (refer to PwC's TaxTalk Alert: Australia's hybrid mismatch rules - updated draft law released). However, these proposed rules introduce a unilateral 'integrity rule' designed to discourage foreign interposed zero or low tax rate entities lending to Australia. This measure is out of step with the BEPS recommendations.</p> <p>No further details were provided in relation to the exposure draft legislation as part of the budget. However, it is expected that the commencement date for the proposed rules is likely to be 1 January 2019.</p>
OECD Action 3: Controlled foreign company rules	<p>The Australian Controlled Foreign Company (CFC) rules currently meet OECD best practice guidance and no changes are expected.</p>

BEPS Action item	Australia's actions to date
OECD Action 4: Limit interest deductions	<p>Australia has already tightened its thin capitalisation rules, including the reduction of safe harbour limits.</p> <p>In addition, as noted above, the Government plans to deny deductions for interest (and derivative) payments to foreign interposed zero or low rate entities where certain other conditions are satisfied.</p> <p>As part of this year's budget, the Government announced a further tightening of the thin capitalisation rules (see above).</p>
OECD Action 5: Counter harmful tax practices	<p>The Australian Taxation Office (ATO) has commenced exchange of information on tax arrangements by multinational enterprises with other countries.</p>
OECD Action 6: Prevention of treaty-shopping	<p>On 28 March 2018 the Government introduced legislation into parliament to give force of law to the MLI. Based on provisional choices, the MLI seems likely to impact 30 of Australia's 44 tax treaties.</p>
OECD Action 7: Prevent artificial avoidance of permanent establishment	<p>The MAAL amended Australian anti-avoidance rules by introducing targeted anti-avoidance laws that apply to SGEs that supply goods or services to Australian customers and record revenue from those sales overseas. These rules have effect from 1 January 2016, and are viewed internationally as a unilateral measure that is inconsistent with BEPS recommendations.</p> <p>This year's budget proposes to broaden the definition of SGEs, thereby expanding the potential application of the MAAL.</p> <p>In addition, the MLI could change the definition of permanent establishment in certain treaties. For example, based on provisional choices, 11 of Australia's tax treaties could introduce a clause to deal with 'contract splitting' arrangements.</p>
OECD Actions 8, 9 and 10: Transfer pricing and value creation	<p>Australia has implemented a number of changes to strengthen its transfer pricing rules over recent years to ensure they are consistent with OECD guidelines, including OECD BEPS amendments to the OECD Transfer Pricing Guidelines approved by the OECD in May 2016. In addition, Australia introduced a new DPT which applies to tax benefits arising in income tax years starting on or after 1 July 2017 (even if the scheme commenced in prior periods). The DPT is viewed internationally as a unilateral measure that is inconsistent with BEPS recommendations.</p> <p>This year's budget proposes to broaden the definition of SGEs, thereby expanding the potential application of the DPT.</p>
OECD Action 11: Methodologies to collect and analyse BEPS data	<p>Further work is required to identify the methodologies to collect and analyse BEPS data.</p>
OECD Action 12: Mandatory disclosure of aggressive tax planning	<p>In May 2016 the Australian Government released a consultation paper seeking community input on the adoption of the OECD's mandatory disclosure rules for aggressive tax arrangements in Australia. Broadly, these will require tax advisers and/or taxpayers to make early disclosures of aggressive tax arrangements (often before income tax returns are lodged), with a view to providing tax authorities with timely information on arrangements that have the potential to undermine the integrity of the income tax system.</p>

BEPS Action item	Australia's actions to date
<p>OECD Action 13: Transfer pricing documentation and country-by-country reporting</p>	<p>In line with the OECD BEPS project, the Australian Government implemented CbC reporting for SGEs (broadly those Australian and foreign multinationals with consolidated global annual income of more than 1 billion). CbC reporting applies to income years commencing on or after 1 January 2016.</p> <p>This year's budget proposes to broaden the definition of SGEs, thereby expanding the potential reporting obligations for foreign entities. Entities subject to the reporting requirements are required to ensure a CbC report is filed in Australia, or in a tax jurisdiction that will automatically exchange the CbC report with Australia. Australia has signed the Multilateral Competent Authority Agreement (MCAA) for the automatic exchange of CbC reports between tax authorities in participating jurisdictions, and has entered a bilateral automatic exchange agreement with the United States.</p> <p>Reporting entities are also required to file a Master File and Local File directly with the ATO. The format and content of the Australian Local File is very different from a standard OECD Local File. The new requirements apply in addition to the existing transfer pricing documentation reporting requirements.</p>
<p>OECD Action 14: Dispute resolution</p>	<p>The MLI recently introduced into Parliament contains rules to implement the option of mandatory binding arbitration.</p>
<p>OECD Action 15: Multilateral instrument</p>	<p>On 7 June 2017, Australia signed the MLI. On 28 March 2018, the Australian Government introduced legislation into Parliament to give force of law to the MLI.</p>



Indirect Taxes and Trade



Insights into announcements impacting Indirect Taxes, GST & Trade in Australia's 2018-19 Federal Budget.

GST to be extended to online hotel bookings from offshore sellers

The Government has announced that the goods and services tax (GST) will be extended to offshore sellers of Australian hotel accommodation to ensure offshore sellers calculate their GST turnover in the same way as local sellers from 1 July 2019. In particular, since 2005, offshore sellers of Australian hotel accommodations have been exempt from registering for and charging GST on these supplies. The new measure will remove this exemption to ensure that the same GST treatment will apply to Australian hotel accommodation regardless of whether the accommodation is supplied by an Australian or offshore company.

This measure is intended to come into effect on or after 1 July 2019 with sales prior to that date still covered by the exemption, even where the relevant hotel stay occurs after this date. This measure is expected to increase revenue for the Government by \$15 million, with increased payments to States and Territories by the same amount over the forward estimate period.

Excise relief for craft brewers and distillers

The Federal Budget has provided excise relief to craft brewers and distillers by increasing the alcohol excise refund scheme cap from \$30,000 a year to \$100,000, from 1 July 2019. In addition, the concessional draught beer excise rate will be extended to apply to smaller kegs of 8 litres (instead of the current 48 litres) or more, which are typically used by craft brewers to distribute their beer to pubs, clubs and restaurants. This seeks to level the playing field between craft and large breweries.

Establishment of Illicit Tobacco Taskforce and tobacco duty measures

Measures to combat illicit tobacco trade were announced as part of the Budget. In particular, a new multi-agency Illicit Tobacco Taskforce (to be led by the Australian Border Force) will be established to enforce new tobacco rules and target illicit tobacco supply chains.

Additionally, from 1 July 2019, legislative changes will require that importers obtain a permit to import tobacco and meet their duty and tax liabilities when tobacco first enters the country, rather than when it enters the domestic market from a licensed warehouse. For tobacco products held in a licenced warehouse at the commencement of the new measures, transitional arrangements will apply for eligible entities to allow for the payment of a relevant liability on warehoused stock within twelve months.

The Australian Taxation Office (ATO) also will be provided with additional resources to combat domestic illicit tobacco and to upgrade their excise and excise equivalent goods payment systems beginning from the 2020-21 financial year.

Removal of luxury car tax on re-imported cars

From 1 July 2019, the Government will remove luxury car tax on cars re-imported into Australia after being refurbished overseas. This measure will ensure consistent treatment of luxury car tax on refurbished cars regardless of whether they are refurbished in Australia or overseas. This measure aligns with Australia's trade obligations with foreign trading partners.

Changes affecting Australia's biosecurity system

As part of the Australian Agriculture and Export Growth Plan, the Government will provide \$86.8 million over four years from 2018-19 to enhance Australia's biosecurity system through:

- Developing national action plans for priority pest and disease management
- Increasing the Government's pest and disease incursion response capacity
- Providing greater assurance and verification of biosecurity import conditions, and
- Trialling innovative technologies to achieve biosecurity clearance efficiencies.

To enable the Government to invest in biosecurity detection, identification and response measures, a new levy on sea imports will be imposed on port operators from 1 July 2019. The levy (as recommended by the Intergovernmental Agreement on Biosecurity Review) will be imposed at \$10.02 per twenty foot container (or equivalent) or \$1 per tonne of non-containerised cargo and payable on a quarterly basis.

Other indirect measures

- The Government has granted or extended access to refunds of indirect tax (including GST, fuel and alcohol taxes) for certain diplomatic and consular representations under the Indirect Tax Concession Scheme.
- Changes to the agricultural levies and export charges at the request of industry to meet changes in the funding needs of the agricultural sector for macadamias, honey and mushrooms.
- From 1 July 2018, customs tariffs will be removed from placebos and clinical trial kits imported into Australia. This measure will reduce costs and regulatory burden for companies conducting clinical trials.

Assistance to small and medium exporters

The Government will provide \$20 million from 2018-19 to establish a Small and Medium Enterprises Export Hubs program. The Hubs will aim to enable cooperation and boost export capability of local and regional businesses.

Furthermore, \$0.4 million will be provided over four years from 2017-18 to extend the Package Assisting Small Exporters program which will continue to provide grants to small exporters to support access to international markets.

Trade Modernisation agenda

To further the Government's Trade Modernisation Agenda, \$10.5 million has been allocated over the 2018-19 period. An election commitment was made by the Government to work towards developing a single window for international trade in Australia. Part of this measure will be to complete an initial business case that will look to create a trade single window.

Australian Trusted Traders will be provided with additional benefits through streamlined compliance requirements with the removal, under certain free trade agreements, of the requirement to produce certificates of origin.

Progress on Free Trade Agreements

The Budget acknowledges progress on the following Free Trade Agreements:

- The Peru-Australia Free Trade Agreement was concluded by the Australian and Peruvian governments on 12 February 2018. This measure will allow Australian businesses better access to one of the fastest growing economies in South America.
- On 8 March 2018, Australia, together with 10 other nations, signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11).

Other trade measures

The Government will provide \$80 million over four years from 2018-19 to assist in supporting Australia's defence industry. This will include:

- An additional \$4.1 million per year to expand the Centre for Defence Industry Capabilities grant program and capability amongst the Australian defence industry's small and medium-sized enterprises to compete internationally;
- \$6.3 million per year to the Australian Defence Export Office, and
- An additional \$3.2 million to the existing Global Supply Chain program administered by the Department of Defence.

The Government will provide \$3.6 million over five years from 2018-19 (including \$0.7 million in 2022-23) to extend the Indonesia-Australia Red Meat and Cattle Partnership. This measure would allow continued cooperation between government and industry in Australia and Indonesia and boost trade and investment in the red meat and cattle sector.

Asset and Wealth Management

Insights from the 2018-19 Federal Budget for the Asset and Wealth Management industry include measures affecting the current Managed Investment Trusts and Attribution Managed Investment Trusts regimes.

Removing the capital gains discount at the trust level for Managed Investment Trusts and Attribution MITs

In order to ensure that Managed Investment Trusts (MITs) and Attribution Managed Investment Trusts (AMITs) operate as genuine flow-through vehicles, the Government has announced that they will prevent MITs and AMITs from applying the 50 per cent capital gains tax (CGT) discount at the trust level. This measure will apply to payments made by MITs and AMITs from 1 July 2019.

The proposed measures will prevent beneficiaries that are not entitled to the CGT discount in their own right (e.g. corporates and non-residents) from getting a benefit from the CGT discount being applied at the trust level. MITs and AMITs that derive a capital gain will still be able to distribute this income as a capital gain that can be discounted in the hands of the beneficiary.

Practically, this change may result in a disadvantage to the members of MITs and AMITs where:

- in allocating deductible expenses against assessable income components, a MIT or AMIT is required to allocate deductions against gross capital gains instead of only the discount capital gains component, or
- in recouping prior year or current year revenue losses, the MIT or AMIT recognises as assessable income the gross amount of the capital gain

rather than only the discount capital gain.

However, the measure would align the treatment of discounted capital gains derived by AMITs and MITs with that proposed for the Corporate Collective Investment Vehicle (CCIV) model.

Updating the list of information exchange countries

In a welcome move, the Government has announced in this year's budget that it will update the list of countries whose residents are eligible to access a reduced withholding tax rate of 15 per cent, instead of the default rate of 30 per cent, on certain distributions from MITs and AMITs. The updated list of countries will be effective from 1 January 2019.

The update will add the 56 jurisdictions that have entered into information sharing agreements since 2012.



Superannuation



The last two Federal Budgets have resulted in substantial changes to our superannuation system that have largely taken effect from 1 July 2017. While no major changes were announced this year, the Government has proposed a number of amendments to the superannuation system to ensure that it operates as intended and to ensure greater flexibility for participants.

Protecting superannuation entitlements

A range of measures were announced to protect the balances of superannuation accounts belonging to Australians, including a three per cent cap on passive fees charged by superannuation funds on accounts with balances of less than \$6,000, and banning exit fees on all superannuation accounts. Furthermore, it will be a requirement to transfer inactive superannuation accounts to the Australian Taxation Office (ATO) where the balance is below \$6,000. The ATO will also expand its data matching processes to reunite these inactive balances with active balances of those affected members.

To protect the superannuation balances of younger Australians, insurance within a member account must be opt-in, rather than default for members with

balances under \$6,000, members under the age of 25 and members whose accounts have not received a contribution in 13 months and are inactive.

All of these measures will take effect from 1 July 2019. The Government has released for consultation exposure draft legislation to implement these measures. Comments are due by 29 May 2018.

Full cost recovery of superannuation activities

Although no level of detail has been announced, the Government will be increasing the Financial Institutions Supervisory Levies to fully recover the cost of superannuation activities undertaken by the ATO. It expects to raise an additional \$31.9 million over four years from 1 July 2018.

Opt-out of superannuation guarantee for high

income earners

Individuals whose income exceeds \$263,157 and have multiple employers will be able to nominate that their wages from certain employers are not subject to superannuation guarantee from 1 July 2018. This will ensure these individuals do not breach the \$25,000 concessional contribution cap because of total employer contributions. This is a welcome measure for those who breached their cap because of multiple employer arrangements, such as medical practitioners.

Integrity measures for deducting personal superannuation contributions

The ATO will be provided with additional funding to improve the integrity of the 'notice of intent' processes for claiming a tax deduction for personal superannuation contributions. This will ensure that where an individual claims a deduction for a contribution, the contribution is being appropriately taxed within the superannuation fund. Furthermore, this will enable the ATO to deny deductions to individuals who do not comply with notification requirements.

Work test exemption for voluntary contributions

The Government will introduce an exemption from the work test for voluntary contributions to superannuation for people aged 65 - 74 years with superannuation balances below \$300,000, in the first year that they do not meet the work test requirements. This measure will take effect from 1 July 2019.

Increasing the number of members for SMSFs

The Government confirmed an announcement made in the lead up to the budget by the Minister for Revenue and Financial Services to expand the maximum number of members in new and existing self-managed superannuation funds (SMSF) and small Australian Prudential Regulation Authority (APRA) funds from four to six. This change is welcome news as it supports greater flexibility for larger families to aggregate their retirement savings in one fund.

Three year audit cycle for some SMSFs

The audit cycle for SMSFs with a history of good record-keeping and compliance will be extended to three yearly. In order to qualify, SMSFs must have a history of three consecutive years of clear audit reports and on-time lodgements. This measure will take effect from 1 July 2019.

Miscellaneous amendments

The 2018-19 budget papers also made reference to minor technical amendments to clarify the law, technical or drafting defects and to remove anomalies and unintended consequences.

The amendments include changes to transition to retirement income stream rules relating to the death of a member and addressing double taxation in respect of deferred annuities purchased by a superannuation fund or retirement savings account. These amendments are currently before Parliament.

Other measures

Other tax measures in this year's budget include incentives for the Australian film industry, measures to tackle the black economy, reforms to combat illegal phoenixing, and additional funds to the Australian Taxation Office (ATO) to focus on compliance measures.

Incentives for Australian film industry

The Government has announced a 'Location Incentive' for international films made in Australia, which is designed to bring in over \$260 million of new foreign investment into the Australian economy.

The Location Incentive will be delivered over four years from 2019-20, and will effectively provide an increase to the Location Offset rate from 16.5 percent to 30 percent for eligible large budget international productions that are filmed in Australia from 1 July 2018.

Tax treatment of concessional loans between tax exempt entities

Tax exempt entities that become taxable after 8 May 2018 will be required to value their concessional loans as if they were originally entered into on commercial terms. This is to overcome issues which would otherwise arise under the taxation of financial arrangement rules. In particular, this measure ensures that any tax deductions

that would have previously arisen on the repayment of the principal of such concessional loans will no longer be available to these entities.

Measures to target the black economy

The Government has released its response to the Black Economy Taskforce's final report in the Federal Budget. The Government's response to the Black Economy Taskforce's final report endorses most of the recommendations made (including supplementary recommendations), and provides a whole-of-government blueprint for tackling the black economy.

Some of the key tax-related measures that were announced include:

- From 1 July 2019, businesses will no longer be able to claim deductions for payments to their employees, such as wages, where they have not withheld any amount of Pay As You Go (PAYG) from these payments. The Government will also remove deductions for payments made by businesses to contractors where the contractor does not provide an Australian Business Number (ABN) and the business does not withhold any amount of PAYG as required.
- From 1 July 2019, the Government will further expand the taxable payments reporting system (TPRS) to security providers and investigation services, road freight transport, and computer system design and related services. Note that in

last year's Federal Budget, the TPRS was extended to the cleaning and courier industries, commencing from 1 July 2018.

- From 1 July 2019, businesses seeking to tender for Australian Government procurement contracts over \$4 million (including the goods and services tax (GST)) will be required to provide a statement from the Australian Taxation Office (ATO) indicating that they are generally compliant with their tax obligations.
- The Government will consult on and design a new regulatory framework for the ABN system in 2018-19.
- The ATO will be provided with \$318.5 million over four years to implement new strategies to combat the black economy, including implementing a new and enhanced enforcement strategy, a Black Economy Hotline, improved government data analytics and educational activities.
- Additional funding of \$3.4 million will also be provided to the ATO over four years from 2018-19 to lead a multi-agency Black Economy Standing Taskforce, which will facilitate a cross-agency approach to combating the black economy.

The Government will commence consultation seeking public and stakeholder views on the announced measures.



Reforms to combat illegal phoenixing

The Government will provide additional tools for regulators to make it easier for them to deter and disrupt illegal phoenixing activities. The package of reforms to corporations and tax laws include:

- new phoenix offences to target those who conduct or facilitate illegal phoenixing
- prevention of directors improperly backdating resignations
- limiting directors ability to resign when this would leave no other company directors
- restricting the ability of related creditors to vote on the appointment, removal or replacement of an external administrator

- extension of the Director Penalty Regime to GST, luxury car tax and wine equalisation tax, making directors personally liable for the company's debts, and
- expanding the ATO's power to retain refunds where there are outstanding tax lodgments.

Funding compliance measures

Additional funding will be provided to the ATO from 1 July 2018 to assist with the following compliance activities:

- \$133.7 million to enable the ATO to continue to deliver on a range of strategies that sustain both an increase in debt collections and an improvement in the timeliness of debt collections
- \$130.8 million to increase compliance activities targeting individual taxpayers and their tax agents, and

- \$15 million over three years to support the modernisation of payroll and superannuation fund reporting. This funding will be used to support small businesses with fewer than 20 employees during the transitions to Single Touch Payroll reporting from 1 July 2019.

Funding of the Tax Practitioners Board

The Tax Practitioners Board will be provided \$20.1 million over four years from the 2018-19 financial year to enable it to meet its broadened responsibilities to ensure that tax agent services are provided to the public in accordance with the appropriate professional and ethical standards.

Forward Tax Agenda

This 2018-19 Federal Budget might be the last that the current Government delivers before the next Federal election. Looking back at last year's Budget, the Government has enacted many of its announced tax and superannuation measures. However, there remains a long list of significant tax changes (see table 5 below) which have been announced but have not yet been implemented.

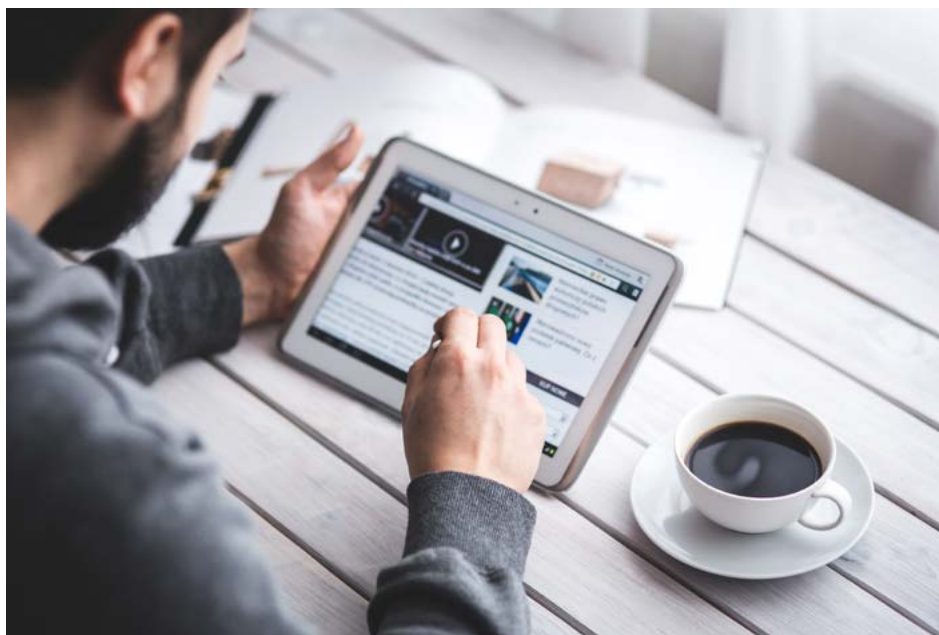
While most of the measures from last year's budget are 'band aid' fixes to specific tax 'problems', in place of much needed broad-based tax reform, the delays in getting these measures through Parliament adds to the tax system inefficiencies and uncertainties for taxpayers.

The Government is still to finalise its position in relation to the Petroleum Resource Rent Tax Review. In addition, we have yet to see the Government's position on the prospect of taxing digital business in Australia, on which we can expect to see a discussion paper released in coming weeks.

The Government has allocated \$38 million over two years from 2019-20 to the Department of the Treasury to support the Government on issues including taxation policy and revenue forecasting. In addition, funding will be provided in 2018-19 to the Department of the Treasury for drafting assistance from legal service providers for much needed progress on Treasury legislation.

Table 5: Key measures previously announced still to be legislated

Measure	Status
Integrity measures for stapled structures	In March 2018, the Government released an integrity package to address risks posed by stapled structures and to limit certain concessions available to foreign investors for passive income. These changes will generally take effect from 1 July 2019 (subject to transitional rules for existing investments), except for the thin capitalisation changes which will take effect from 1 July 2018.
Technical changes to the Investment Manager Regime (IMR) and tax rules for Managed Investment Trusts (MITs)	Last year, the Government announced changes to the operation of the IMR and tax rules for MITs. The changes seek to clarify that when a foreign investor invests in Australia through a foreign fund or an independent Australian fund manager it will be in the same tax position as if it had invested directly. For MITs, the proposed changes to the MIT rules ensure the law operates as intended by increasing certainty, allowing greater flexibility and reducing compliance costs for MITs.
Bare trusts	The Government announced that it would look at progressing the recommendations made by the Board of Taxation to streamline arrangements for bare trusts as part of the regulatory reform program. Treasury will undertake further consultation on the scope of potential changes.
Reforming the integrity provisions in the debt/equity rules	The Government released draft legislation to implement the Board of Taxation's recommended approach to improve the debt and equity tax rules in October 2016. The new rules are proposed to apply in relation to transactions entered into after the commencement of the law, which will be a day to be fixed by proclamation (or if there is no proclamation, six months after Royal Assent).



Measure	Status
Removing barriers to the use of asset backed financing	Originally announced in the 2016-17 Federal Budget, and proposed to apply with effect from 1 July 2018.
Preventing franked distributions funded by capital raisings	Originally announced in the 2016-17 Mid Year Economic and Fiscal Outlook and proposed to apply to distributions made after 12:00pm (AEDT) on 19 December 2016.
Tax rate reduction for all companies with aggregated turnover of more than \$50 million, and the additional integrity measure in relation to passive income	Both measures are currently before Parliament.
Similar business test to improve access to tax losses by companies and certain widely held trusts	Currently before Parliament. This measure is proposed to apply broadly to tax losses made for income years (loss years) beginning on or after 1 July 2015.
Provide taxpayers with the choice to self-assess the effective life of certain intangible depreciating assets	Currently before Parliament. The choice is proposed to apply to assets that a taxpayer holds or starts to hold on or after 1 July 2016.
Housing affordability measures announced as part of the 2017-18 Federal Budget Housing Affordability measures - increased Capital Gains Tax (CGT) discount for Australian resident individuals investing in affordable housing; the proposed introduction of an Affordable Housing Managed Investment Trust (MIT); and removal of CGT main residence exemption for foreign residents	Exposure draft law was released last year for the proposed introduction of an Affordable Housing MIT. All of the other measures are currently before Parliament.

Measure	Status
Integrity measure for CGT small business concession to ensure that they can only be accessed in relation to assets used in a small business or ownership interests in a small business	Currently before Parliament. The measure was announced in the 2017-18 Federal Budget, and proposed to apply to CGT events that occur on or after 1 July 2017.
Whistleblower reforms	Currently before Parliament. Proposed to apply from 1 July 2018.
Superannuation governance and integrity measures including strengthening superannuation guarantee measures	Currently before Parliament with various application dates.
OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI)	Currently before Parliament. The Government signed the BEPS MLI on 7 June 2017. Its application date is unknown, and will depend on when Australia and other jurisdictions ratify the Convention.
Black economy measures announced in last year's Federal Budget, including the ban of electronic sales suppression tools at each stage of the supply chain, and extend the current Taxable Payments Reporting System to the courier and cleaning industries	Currently before Parliament.
OECD's hybrid mismatch rules	The Government released revised exposure draft legislation earlier this year following its initial exposure draft legislation in November 2017 to address hybrid mismatch arrangements. The measures are proposed to take effect six months after Royal Assent of amending legislation.
Asia Region Funds Passport and the new corporate and limited partnership collective investment vehicle (CIV)	Legislation for the framework for the Asia Region Funds Passport is currently before Parliament. This follows the earlier release of draft legislation dealing with the regulatory framework proposed to apply to corporate CIVs. No draft legislation has been made available for the proposed limited partnership CIV which is to apply from 1 July 2018.
Reforms to taxation of financial arrangements (TOFA)	Late last year the Government announced that it will defer the commencement of its 2016-17 Budget proposal so that it commences from income years that begin after Royal Assent.
Improving the transparency of tax debts	The Government has released exposure draft legislation that will authorise the Australian Taxation Office (ATO) to disclose certain business tax debts to credit reporting bureaus where the businesses have not effectively engaged with the ATO to manage their debt. In conjunction with Treasury, the ATO is consulting with the community to ensure that the measure is implemented and administered effectively.

Opposition policies

Given that the forward tax agenda will largely hinge on the outcome of the next Federal election, we summarise below some of the key tax policies that have been announced by the Australian Labor Party to date. No doubt, we will hear more about proposed policies when the Leader of the Opposition gives his Budget reply speech on Thursday, 10 May 2018.

Table 6: Tax policies of Australian Labor Party

Policy area	Australian Labor Party policy
Company income tax rate	The Labor Party has previously stated that it does not support corporate income tax rate cuts at this time, other than for very small business.
Personal income tax rates	No announced policy, however the Labor Party has previously criticised the lapsing of the temporary budget repair levy from 1 July 2017 and, in response, has indicated an intention to increase the top marginal tax rate from 47 per cent to 49 per cent.
Personal tax deductions	Impose a \$3,000 cap on the amount individuals can claim for the management of their taxation affairs.
Accelerated depreciation of certain business assets	From 1 July 2020, implement a new Australian Investment Guarantee, allowing businesses to immediately deduct 20 per cent of the value of investment in eligible depreciating assets, with the balance depreciated in line with normal depreciation schedules from the first year.
Taxation of discretionary trust distributions	Introduce a minimum 30 per cent tax rate for discretionary trust distributions to mature individual beneficiaries (aged 18 years and over) with effect from 1 July 2019.
Imputation reform	Commencing 1 July 2019, there will be no cash refunds of excess franking credits for individuals and superannuation funds. An exemption is to apply to Australian Government pension or allowance recipients and self-managed superannuation funds which have at least one Australian Government pensioner or allowance recipient before 28 March 2018.
Multinational tax avoidance	Amend the thin capitalisation rules to limit the amount of debt deductions multinational companies can claim in Australia to the debt-to-equity ratio of a company's entire global operations. Provide additional funding to the ATO to properly investigate and pursue multinational profit shifting.
Transparency	<ul style="list-style-type: none"> Establish a mandatory Extractive Industries Transparency scheme that would require large Australian extractive companies to disclose payments (including taxes) arising from any activity involving exploration, prospection, discovery, development or extraction on a country by country and project by project basis. Make Country-By-Country reports (excerpts) publicly accessible. Restore the \$100 million threshold for public reporting of tax information of large private companies by the ATO. Establish a publicly accessible central register of beneficial ownership of Australian companies, trusts and other corporate structures.
Capital Gains Tax (CGT)	Reduce the CGT discount for individuals to 25 per cent.
Negative gearing	Reform negative gearing, including limiting it to new housing investment.

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