

# 2018-19 MYEFO: A few tweaks to tax measures

19 December 2018

Explore more insights 

## ***In brief***

The Government released the [2018-19 Mid-Year Economic Fiscal Outlook \(MYEFO\)](#) on Monday 17 December 2018. This economic update indicates that Australia's underlying cash balance is now forecast as a AUD 5.2 billion deficit in 2018-19 and the Budget is now expected to reach a surplus of AUD 4.1 billion in 2019-20.

Although no new tax measures were announced as part of the MYEFO, taxpayers should be aware of several important changes that were made by the Government to existing tax proposals.

## ***In detail***

The 2018-19 MYEFO sets out a number of measures that had been previously announced since the 2018-19 Federal Budget, including the Government's proposed reforms to the Petroleum Resource Rent Tax (announced on 2 November 2019) and the removal of the goods and services tax (GST) from feminine hygiene products from 1 January 2019.

In addition, there were a number of already existing proposals for which changes were noted, including in some instances a deferral of the start date. We highlight below some of the key new measures which emerge from the MYEFO.

### ***Income tax***

- *Intangible asset depreciation* - The Government has confirmed that it will no longer proceed with its proposal to allow taxpayers to self-assess the effective life of intangible depreciating assets that were acquired from 1 July 2016. This measure had been included in a Bill before Parliament but was removed in order to secure the passage of the remaining measures in the Bill through the Senate.
- *Managed Investment Trusts* - The start date for the 2018-19 Budget measure to remove the capital gains tax (CGT) discount at the trust level for Managed Investment Trusts (MITs) and Attribution MITs will be deferred from 1 July 2019 to 1 July 2020. In addition, the MYEFO documents indicate in relation to the previously announced integrity proposals relating to MIT withholding, which can apply as early as from 1 July 2019 in relation to the residential property sector, that the "definition of residential property does not include specific rules for tertiary student accommodation. Instead, consistent with all other premises, the treatment will depend on whether the premises are residential premises that are not commercial residential premises." This would appear to enable the concessional 15 per cent MIT withholding rate to continue to apply to certain student accommodation, but it is unclear as to the extent to which this might apply.
- *Information exchange countries* - Gabon and El Salvador will not be included in the updated list of information exchange countries (as originally announced in the 2018-19 Budget) as they failed to complete the necessary legal arrangements to enable effective information exchange with Australia. The update will now only include the addition of 54 jurisdictions effective from 1 January 2019.
- *Small business* - The Government will provide additional funding to support small business owners, including a pilot by the Australian Taxation Office (ATO) to have 10 tax clinics to support small business taxpayers with general taxation advice to help them meet their tax obligations and reporting requirements, and has confirmed the creation of a dedicated Small Business Taxation Division of the Administrative Appeals Tribunal.

- *Transparency of business tax debts* - The 2016-17 MYEFO measure to improve the transparency of outstanding business tax debts will be amended by increasing the threshold for ATO disclosure to credit reporting bureaus from AUD 10,000 to AUD 100,000 for tax debts that are overdue for more than 90 days; introducing a requirement that the Minister consult with the Australian Information Commissioner before changes to the reporting criteria are made; and change the start date of the measure to the day after Royal Assent of the enabling legislation.

### **Superannuation**

- *Work test exemption* - The Government will allow individuals to use the work test exemption to access up to three years of the non-concessional superannuation contributions cap in the year they turn 65 years old, applicable from 1 July 2019.
- *Super guarantee charge* - The Government has confirmed that the superannuation guarantee (SG) 12-month amnesty continues to apply from 24 May 2018. Note that the relevant legislation to give effect to this measure is still before Parliament. In addition, it was indicated in the MYEFO materials that the minimum penalty will be increased from 50 per cent to 100 per cent of the SG charge for non-compliant employers who do not come forward under the SG amnesty.
- *Genuine redundancy payments* - From 1 July 2019, the age below which individuals can receive genuine redundancy payments is proposed to be aligned with the Age Pension qualifying age to align access to the tax concession that makes part of any genuine redundancy payment free of income tax (the tax-free component).
- *Technical amendments to super reform package* - A series of minor technical amendments will be made to clarify the law, correct technical defects and address unintended outcomes relating to implementation of the 2016-17 superannuation tax reform package, including amendments to the valuation of capped defined benefit income streams when commuted for purposes of the transfer balance cap and to ensure that life insurance proceeds are not taxed when death benefits are rolled over to a new fund.

### **ATO funding**

MYEFO has flagged that further funding will be provided to the ATO to support its tax compliance efforts as follows:

- AUD 5.7 million in 2019-20 for the ATO to undertake compliance activities using reported data relating to Government grants and payments, and merchant credit and debit cards.
- AUD 466.9 million over four years from 2019-20, including AUD 3.3 million in capital funding, to extend the ATO's range of GST compliance activities.
- AUD 182.2 million over four years from 2019-20 to extend the Serious Financial Crime Taskforce.

### ***The takeaway***

The 2018-19 MYEFO is the final key economic update in the lead up to the forthcoming Federal Budget which is scheduled to be handed down on 2 April 2019.

As we reflect on the 2018 calendar year, the Government has actually progressed quite a few measures that were on its tax agenda. With Federal Parliament not due to commence its 2019 sittings until 12 February 2019, time will tell whether the Government will have sufficient time to further progress the enactment of announced and outstanding measures, particularly as we head towards a Federal election which is due to be held by 18 May 2019.

---

## ***Let's talk***

For a deeper discussion of how these issues might affect your business, please contact:

Pete Calleja, Sydney  
Australian Tax Leader  
+61 (2) 8266 8837  
[pete.calleja@pwc.com](mailto:pete.calleja@pwc.com)

Michael Bona, Brisbane  
Global Tax Leader  
+61 (7) 3257 5015  
[michael.bona@pwc.com](mailto:michael.bona@pwc.com)

Warren Dick, Sydney  
Tax Reporting & Strategy Leader  
+61 (2) 8266 2935  
[warren.dick@pwc.com](mailto:warren.dick@pwc.com)

David Ireland, Sydney  
Financial Services Corporate  
Tax Leader  
+61 (2) 8266 2883  
[david.ireland@pwc.com](mailto:david.ireland@pwc.com)

James O'Reilly, Brisbane  
Brisbane Corporate Tax Leader  
+61 (7) 3257 8057  
[james.oreilly@pwc.com](mailto:james.oreilly@pwc.com)

Jason Karametos, Melbourne  
Industries Corporate Tax Leader  
+61 (3) 8603 6233  
[jason.karametos@pwc.com](mailto:jason.karametos@pwc.com)

Kirsten Arblaster, Melbourne  
Infrastructure & Urban Renewal  
Corporate Tax Leader  
+61 (3) 8603 6120  
[kirsten.arblaster@pwc.com](mailto:kirsten.arblaster@pwc.com)

Rob Bentley, Perth  
Perth Corporate Tax Leader  
+61 (8) 9238 5202  
[robert.k.bentley@pwc.com](mailto:robert.k.bentley@pwc.com)

Alistair Hutson, Adelaide  
Partner  
+61 (8) 8218 7467  
[alistair.hutson@pwc.com](mailto:alistair.hutson@pwc.com)

© 2018 PricewaterhouseCoopers. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers a partnership formed in Australia, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. This publication is a general summary. It is not legal or tax advice. Readers should not act on the basis of this publication before obtaining professional advice. PricewaterhouseCoopers is not licensed to provide financial product advice under the Corporations Act 2001 (Cth). Taxation is only one of the matters that you need to consider when making a decision on a financial product. You should consider taking advice from the holder of an Australian Financial Services License before making a decision on a financial product.

*Liability limited by a scheme approved under Professional Standards Legislation.*