



Monthly Information Newsletter – Tax & Super

June 2022

2022 Election Washup

Following the election of the new Labor federal Government on 21 May, there are a number of tax and superannuation proposals that they have announced or existing measures they have committed to that may impact you and your business moving forward.

Some of course are subject to the passage of enabling legislation through the new Parliament.

Tax cuts

The incoming government has committed to the so-called Stage 3 tax cuts that the former government passed into legislation in 2018. This will see the 37% tax bracket abolished, the top 45% bracket will start from \$200,000 and the 32.5% rate will be cut to 30% for all incomes between \$45,000 and \$200,000. This is legislated to commence from 1 July 2024.

Multinational tax crackdown

This will involve a four-pronged approach:

- Supporting the OECD's Two-Pillar Solution for a global 15% minimum tax, and ensuring some of the profits of the largest multinationals – particularly digital firms are taxed where the products or services are sold.
- Limiting debt-related deductions by multinationals at 30% of profits, consistent with the OECD's recommended approach, while maintaining the arm's length test and the worldwide gearing ratio.
- Limiting the ability for multinationals to manipulate Australia's tax treaties when holding intellectual property in tax havens.
- Introducing transparency measures including reporting requirements on tax information, beneficial ownership, tax haven exposure and in relation to government tenders.

Downsizer scheme

The incoming government has adopted the former government's proposed changes to the superannuation downsizer scheme. Age eligibility will be reduced to 55. Also, proceeds from the sale your house will be exempt from the pension asset test for two years instead of one.

For background, the downsizer scheme allows older Australians to downsize their family home and contribute up to \$300,000 each into superannuation without counting towards the contribution caps.

SG increases to proceed

The increases to the superannuation guarantee rate will go ahead as legislated. The rate of SG will be increased to 10.5% from 1 July 2022. It will then continue to increase by a further 0.5% each year until reaching 12% in 2025.

Home to Buy Scheme

With the Labor party winning the election, the former government's proposal to let individuals raid their super to buy their first home will not proceed. Rather, the new government will presumably push ahead with its home buyer proposal Help to Buy. This will be open to 10,000 Australians each financial year.

Eligible home buyers will need a minimum deposit of 2%, with an equity contribution from the Federal government of up to a maximum of 40% of the purchase price of a new home and up to a maximum of 30% of the purchase price for an existing home.

Help to Buy will be open to buyers who do not own a property – not just first home buyers – but eligible buyers must earn less than \$90,000 a year, or \$120,000 if they are a couple.

Participants must buy back the government's share in their house if they start to earn more than the above amounts.

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