

AUSTRALIAN ANNUAL BUDGET REPORT

The Australian government has released its budget for the 1/7/2018 - 30/6/2019 year.

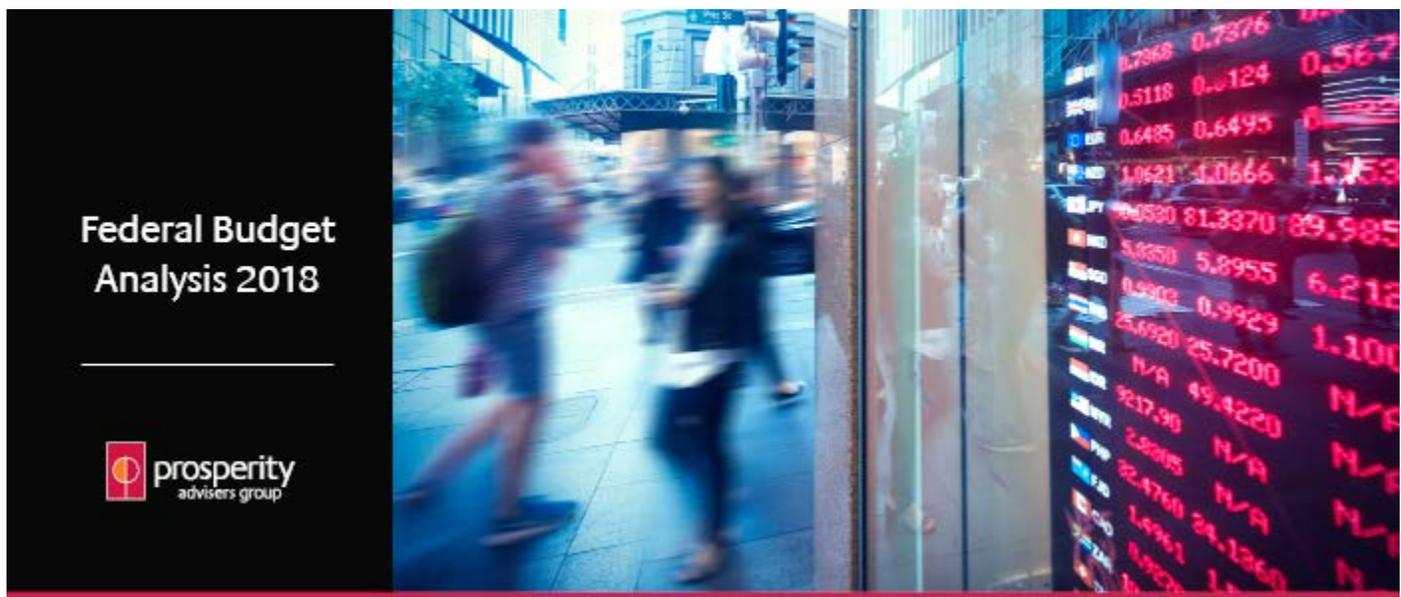
It was primarily about providing modest personal tax cuts to the broad low-middle income earners.

Key outcomes that are relevant for international corporate investors include:

- Plans to reduce corporate tax from 30% to 25% remains albeit through incremental steps over several years for different sized companies and opposition in the Upper House remains such that it is not fully legislated for large companies.
- Deductions for expenses associated with holding vacant land not genuinely used to earn assessable income will be denied.
- Loss of deduction for payments to employees where withholding taxes are not paid.
- The thin capitalisation rules will be tightened to remove access to a concessional test available for outbound investors where ultimate ownership exists overseas. The test will also no longer allow revaluation of assets not recorded as such in the financial statements.
- The definition of a "significant global entity" will be broadened, largely to capture privately owned groups. This is relevant for various matters but notably CbC reporting and high bracket penalty rates for late lodgement (\$105k of up to 28 days and a maximum of \$525k for more than 112 days).
- The Research and Development tax incentive scheme will be tightened somewhat, notably including a \$4m cap on refunds paid for those with a turnover below \$20m and gradually reducing the benefit where R&D spend is less than 10% of total expenditure.

For international expats there are not many changes save for the modest tax cuts and restrictions on deductions associated with vacant land.

Please find below our flyer and link to our detailed report:



A budget about political survival....despite talk of lofty tax cuts

Mr Scott Morrison, the Federal Treasurer, handed down his third Budget on 8 May 2018.

Mr Morrison said the Budget is focused on further strengthening the economy to "guarantee the essentials Australians rely on" and "responsibly repair the budget". With a deficit of \$18.2b in 2017/18 and \$14.5b in 2018/19, the Budget is forecast to return to a balance of \$2.2b in 2019/20 and a projected surplus of \$11b in 2020/21.

The Government is proposing a three-step, seven-year plan to make personal income tax "lower, fairer and simpler". The Budget also contains additional measures to counter the black economy, particularly in response to the final report from the Black Economy Taskforce, including expanding the taxable payments reporting system. Additionally, the Budget contains a range of measures intended to ensure the integrity of the tax and superannuation system.

Access our analysis of the key points for businesses, individuals and families via the button below.

<http://prosperityblog.com.au/federal-budget-analysis-2018-a-budget-about-political-survival-despite-talk-of-lofty-tax-cuts/>

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