

## Australia – Federal Election Result

Australia has recently re-elected its incumbent conservative government, despite all polls strongly suggesting otherwise. This is good news for foreign business interests as the conservative government agenda is to reduce corporate tax to 25% and provide significant tax breaks for middle-income bracket individual taxpayers. The election result has also had a positive impact on the local share market, where it has lifted to a 12 year high.

The more progressive Australian Labor Party had proposed sweeping tax reforms aimed at high income earners including a reduction in the Capital Gains Tax discount (from 50% down to 25%) and a flat 30% tax rate on all trust distributions, amongst other measures. Other proposed significant changes (that were largely limited to impact residents) involved restricting the ability to negatively gear a property investment and, crucially for the election result, the removal of cash refunds for individuals on imputation credits from company dividends (i.e. refund of company tax paid for low income earners earning dividends). This last change was intended to target high wealth taxpayers with artificially low taxable income, but to a small but meaningful extent would impact over one million retirees. None of these feared changes are now going to occur.

Given the surprise result, we are now expecting significant tax cuts for individuals although the bulk of them are not due to commence until 2022. Already recently passed parliament is an extended "instant asset write-off" for depreciable assets valued up to \$30,000 for businesses with less than \$50m turnover. The company tax rate has already been reduced from 30% to 27.5% for those with less than \$50m turnover, which will progressively reduce reaching 25% from 1 July 2021. The original legislation was intended to apply to all companies, however upper house objection resulted in the changes being limited to smaller companies. With the conservative government cementing a stronger majority after the election, extending the company tax rate reduction to larger companies is now expected to be back on the agenda.

Australia is firmly open for business.

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