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**Australia – Legislation  
Enacted with New Levy  
Impacting Tax Liabilities**  
by KPMG, Australia (a KPMG  
International member firm)

## flash International Executive Alert

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Australia's so-called "temporary budget repair levy" of 2 percent, raising the tax burden for certain individuals, has been enacted. On 25 June 2014, the package of 15 Temporary Budget Repair Levy bills received Royal Assent. The additional income tax rate on annual taxable income exceeding A\$180,000, will apply from 1 July 2014 to 30 June 2017.

### Why This Matters

As we noted in [Flash International Executive Alert 2014-057](#) (30 May 2014), the temporary budget repair levy will impact the rate of tax paid by individuals as well as the Fringe Benefits Tax rates over a number of years. These changes are likely to raise tax burdens for certain employees (including those on international assignment subject to Australian taxation) and their employers, and will have an impact on payroll withholdings, tax equalizations, and international assignment budgeting and cost projections.

### Background

- The legislation, which cleared its final legislative hurdle in the Senate on 17 June 2014, amends the *Income Tax Assessment Act 1997* (ITAA 1997), the *Income Tax Rates Act 1986* (ITRA 1986), the *Income Tax (Transitional Provisions) Act 1997* (IT(TP) Act 1997), and other taxation imposition and ratings acts.
- A provision introduces a three-year progressive budget repair levy in the primary form of an additional 2-percent income tax on taxable income exceeding A\$180,000 commencing in the 2014-15 financial year (starting 1 July 2014). This will increase the top marginal tax rate for both Australian resident and foreign resident individuals from 45 percent to 47 percent.
- The temporary budget repair levy will also be reflected in a number of tax rates that are currently based on the top personal marginal tax rate (45 percent), as well as those based on a calculation comprising the top personal rate and the Medicare levy (currently 1.5 percent, but legislated to increase to 2 percent from 1 July 2014), to maintain the integrity and ensure the fairness of the tax system, and minimize opportunities for avoiding the levy. In particular, the Fringe Benefits Tax rate will increase from 47 percent to 49 percent for the period from 1 April 2015 to 31 March 2017.

### Period Levy Is in Effect

As noted above, the temporary budget repair levy will apply from 1 July 2014 to 30 June 2017, and, therefore, is payable with respect to the 2014-15 financial year and the following two financial years.

*Footnote:*

1 See the Bills and the Explanatory Memoranda at:

[http://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=r5239](http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r5239) .

For the legislation with the actual rate that applies (the 2 percent) is in the Bill at this link:

[http://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=r5238](http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r5238) .

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