

GMS Flash Alert



2022-203 | November 11, 2022

Australia - Tax and Immigration Measures in 2022-23 Budget

Following the May 2022 federal election, Australia's Treasurer delivered the 2022-23 Federal Budget on 25 October 2022.¹ It outlines the new government's priorities for the coming term.

The key measures that we focus on in this *GMS Flash Alert* are related to personal income tax and immigration.

To access analysis by KPMG in Australia of the key measures and financial announcements from the 2022-23 Federal Budget and what it means for businesses and the economy, see the dedicated website: "[Federal Budget | October 2022](#)." (For coverage of last year's budget, see [GMS Flash Alert 2021-148](#), 25 May 2021.)

WHY THIS MATTERS

The specific impact of the Budget's measures will depend on each taxpayer's particular set of circumstances. However, in most instances, we expect that for employees earning just below the highest-tier incomes, those in the medium-to-high-income earning range, they may see their tax burdens reduced as a result of the Budget's rate and bracket changes. For those in the lower tax brackets, the fact that there are no changes to the rates and the bracket ranges could mean that inflation has the effect of increasing their tax liability through the phenomenon of "bracket creep."

In the case of tax equalised/protected employees on assignment in Australia, subject to Australian tax law, these changes should reduce the cost of the assignments to the employer in respect of those assignees in the medium-to-high-income earning range. Moreover, once the proposals come into effect, this may necessitate adjustments to tax equalisation and tax protection calculations, as well as international assignment cost projections and budgeting.

Given the impact of these changes to the operation of Australian payroll/shadow payroll, these changes should be communicated to relevant stakeholders as soon as possible, to help ensure that payroll processes and software can be updated in a timely fashion.

In the case of the updates to the Child Care Subsidy and parental-leave rules, employers may wish to factor this increase into their reward strategy/policy for 2023 and on, and adjust their global-mobility policies.

Tax Key Highlights

Despite some conjecture, the proposed “Stage 3” tax cuts for personal income tax have been retained as planned to apply from 1 July 2024.

Personal Income Tax Rates

With regards to the tax cuts, which had been initially announced in 2018, the Budget did not defer Stage 3 of those cuts. From 1 July 2024, the 37-percent bracket will be removed entirely. The 32.5-percent bracket will be reduced to 30 percent. In addition, the threshold above which the top marginal rate of 45 percent applies will increase from \$180,000 to \$200,000. (All dollar figures expressed are Australian dollars.)

Taxable income	Current rates		Taxable income	Rates from 1 July 2024
Up to \$18,2000	0%		Up to \$18,200	0%
\$18,201 to \$45,000	19%		\$18,201 to \$45,000	19%
\$45,001 to \$120,000	32.5%		\$45,001 to \$200,000	30%
\$120,001 to \$180,000	37%		From \$200,001	45%
From \$180,001	45%			

Source: KPMG in Australia

Source: www.xe.com [A\$1 = €0.648 | A\$1 = US\$0.67 | A\$1 = £0.567 | A\$1 = ¥92.98]

Support to Working Parents

As announced prior to the May 2022 election, the new Australian government has proposed several changes to Child Care Subsidy in the Budget.

- Around 96 percent of Australian families with a child currently in care will enjoy increased Child Care Subsidy rates.²
- Furthermore, Australia’s paid parental leave entitlement will be extended by six weeks to a total of 26 weeks (i.e., six months). The extension will apply in increments of two weeks starting from 1 July 2024, until it reaches the full 26 weeks from July 2026.

Extension of the Personal Income Taxation Compliance Programme

The government’s focus on addressing non-compliance by individual taxpayers remains, with funding allocated to support targeted corrective activities focussed on over-claiming of deductions and incorrect reporting of income.

Immigration Key Highlights

The Budget affirmed the government's commitment to strengthening workforce planning and combatting Australia's skills shortages by establishing a migration programme that is fit for purpose and complements the evolving skills and capabilities of the Australian workforce.

The Budget announcements are a precursor to the main course which will be delivered in the coming months via the Migration Reform Taskforce, which is due to deliver its recommendations for immigration reform to the government in February 2023.³

The government will develop a Migration Strategy to identify reforms that it claims will help reinforce a migration system that serves Australia's national interests and complements the skills and capabilities of Australian workers, while also furthering Australia's geo-strategic interests so as to unlock the potential of all migrants and providing clear pathways to permanent residency.

Jobs and Skills Australia

The government will establish "Jobs and Skills Australia," a consultative independent body, that will work with the employers, unions, states and territories, and the training and education sectors to provide detailed analysis to help address workforce shortages, build long-term capacity in priority sectors, and identify distinct challenges in regional, rural, and remote Australia.

New Pacific Engagement Visa

The Budget aims to strengthen Australia's partnership with the Pacific region by boosting participation in the Pacific Australia Labour Mobility scheme and facilitating permanent migration from Pacific countries by creating a new Pacific Engagement Visa for nationals of Pacific Island countries and Timor-Leste commencing on 1 July 2023. This would allow for up to 3,000 visas per year, in addition to the existing permanent Migration Programme.

KPMG NOTE

Overall, it was a relatively "quiet" Budget for global employers and their globally-mobile employees.

Many may be disappointed that no further announcements were made regarding the new Australian tax residency rules framework⁵ and the potential new primary "bright line" test, which the previous government had announced in the Budget in May 2021.

The proposal would simplify individual tax residency with the introduction of a new primary test deeming individuals to be Australian tax residents if they are physically present in Australia for at least 183 days during the tax year.

It remains to be seen if the current government will clarify whether it is still a priority to update the Australian individual tax residency rules, first enacted over 80 years ago.

FOOTNOTES:

1 For the Budget and related documents, see: <https://budget.gov.au/index.htm> .

2 See Department of Education, "Plan for Cheaper Child Care" at: <https://www.education.gov.au/early-childhood/cheaper-child-care> .

3 The release date for the recommendations for immigration reform by the taskforce is noted on the "Immigration" [webpage](#) of the Parliament of Australia.

4 See National Skills Commission, "Jobs and Skills Australia Budget" at: <https://www.nationalskillscommission.gov.au/news/jobs-and-skills-australia-budget>. Also see: <https://www.jobsandskills.gov.au/> .

5 For prior coverage, see [GMS Flash Alert 2022-188](#), 18 October 2022.

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