

Snapshot of the ALP key tax policies

Editor: The Federal Election will be the primary focus over the next few months, with many commentators predicting a possible change in Government.

As usual, tax policy is a focal point of the political debate.

Recently, at Labor's 48th national conference (16-18 December 2018), a document entitled 'A fair go for Australia: National platform - final draft' ('A fair go for Australia') outlined the key ALP policies.

This included many previously announced key taxation policies, with the notable exception of other (still) proposed reforms, including for example, the restriction of cash refunds of excess franking credits and the \$3,000 cap on tax-related expense claims.

The table below outlines some of the key ALP tax policies of interest.

Income Tax Reforms	
Key ALP Tax Policies	Comparable Coalition Tax Policies
<p>1. Restrict deductions on personal tax-related expenses to a \$3,000 cap per individual, per year</p> <p><i>Ref: Shadow and Assistant Shadow Treasurer's joint media release, 13 May 2018</i></p>	<p>No cap on personal tax-related expenses is proposed, although the ATO has made adjustments to Item D10 - Managing tax affairs to obtain a more detailed breakdown of what is being claimed by taxpayers at this label from the 2018 'I' returns</p>
<p>2. Reduce the maximum general CGT discount from 50% to 25%, with exceptions for:</p> <ul style="list-style-type: none"> • grandfathered investments; • investments made by superannuation funds (which are effectively taxed at 10% after the CGT discount); and • assets of small business owners <p><i>Ref: 'A fair go for Australia', paragraph 135 and ALP website: Labor factsheet, 'Positive plan to help housing affordability'</i></p>	<p>The Coalition has not indicated a desire to change the maximum general CGT discount from 50% for eligible taxpayers</p>
<p>3. Limit negative gearing to investments in new housing, with grandfathering for pre-existing investments.</p> <p>Labor has proposed any losses from new investments in shares and existing properties (which we assume includes commercial property) will still be permitted to be used to offset investment income tax liabilities (but not against salary and wages).</p> <p>Any deferred losses can then be carried forward to offset the final capital gain on the investment.</p> <p><i>Ref: 'A fair go for Australia', paragraph 135 and ALP website: Labor factsheet, 'Positive plan to help housing affordability'</i></p>	<p>The Coalition has not indicated a desire to change the current negative gearing rules</p>
<p>4. Remove the ability for certain taxpayers to claim excess imputation credits as cash refunds</p> <p><i>Ref: Leader of the Opposition's media release, 13 March 2018</i></p>	<p>The Coalition has not indicated a desire to change the current ability for eligible taxpayers (including individuals and SMSFs) to receive cash refunds for excess imputation credits</p>

Income Tax Reforms	
Key ALP Tax Policies	Comparable Coalition Tax Policies
<p>5. Apply a minimum tax rate of 30% to all distributions from discretionary trusts (non-fixed trusts) to mature individual beneficiaries (i.e., those over 18)</p> <p><i>Ref: 'A fair go for Australia', paragraph 131 and Leader of the Opposition's media release, 30 July 2017</i></p>	<p>The Coalition has not indicated a desire to change the current rules in relation to the taxation of discretionary trust beneficiaries at their applicable marginal tax rate</p>
<p>6. Introduction of an Australian Investment Guarantee from 1 July 2020</p> <p>This accelerated depreciation for business proposes to immediately allow a 20% write-off for eligible depreciating assets</p> <p><i>Ref: Shadow Treasurer's media release, 13 March 2018</i></p>	<p>The Coalition has announced that from 29 January 2019, the instant asset write-off threshold for SBE taxpayers will increase to less than \$25,000 and this will apply until 30 June 2020 (at which time the immediate write-off threshold presumably goes back to less than \$1,000)</p>
Superannuation Reforms	
Key ALP Tax Policies	Comparable Coalition Tax Policies
<p>1. Lower the non-concessional contributions ('NCCs') cap to \$75,000 (down from the current \$100,000)</p> <p><i>Ref: 'A fair go for Australia', paragraph 41</i></p>	<p>The Coalition has not indicated a desire to change the current \$100,000 NCCs cap (indexed)</p>
<p>2. Lower the Division 293 tax threshold to \$200,000 (down from the current \$250,000)</p> <p><i>Ref: 'A fair go for Australia', paragraph 41</i></p>	<p>The Coalition has not indicated a desire to change the current \$250,000 Division 293 tax threshold</p>
<p>3. Repeal the newly introduced concessional contributions ('CCs') catch-up rules</p> <p><i>Ref: 'A fair go for Australia', paragraph 41</i></p>	<p>Retain the new CCs five-year catch-up rules for eligible members if they have a total superannuation balance of less than \$500,000</p>
<p>4. Repeal the recent reforms allowing all eligible individuals to claim a tax deduction for personal superannuation contributions</p> <p><i>Ref: 'A fair go for Australia', paragraph 41</i></p>	<p>Retain the recently legislated relaxation of the personal superannuation deduction rules (i.e., the removal of the '10% test' from 1 July 2017)</p>
<p>5. Prospectively restore the prohibition on direct borrowing by SMSFs on housing investments via Limited Recourse Borrowing Arrangements ('LRBAs')</p> <p><i>Ref: 'A fair go for Australia', paragraph 136</i></p>	<p>The Coalition has not indicated a desire to change the current LRBA rules</p>
<p>6. End the freezing of the Superannuation Guarantee rate at 9.5% and fast track the employer compulsory contribution percentage to 12% - although firm dates have not been provided</p> <p><i>Ref: 'A fair go for Australia', paragraph 39</i></p>	<p>The Coalition has not indicated a desire to change the current 9.5% Superannuation Guarantee rate until the first increase in 2022 (to 10%) begins the gradual progression to 12% by 2026</p>