National Foundation for Australian Women
REAL WOMEN. VISIONARY LEADERSHIP

GENDER LENS ON THE 2023-24 BUDGET

Key Policy in discussion	**TAXATION**
Portfolio and or agency	**Treasury**
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Key author/s of this budget analysis:	**Prof Helen Hodgson, Curtin Law School, NFAW Chair Social Policy Committee**

Key Portfolio Issues

The taxation measures are most notable for the absence of reforms to support a more equitable distribution of income in the Australian community. The effects of bracket creep are likely to be felt disproportionately by women, but the stage three tax cuts have not been scaled back, and low to middle income earners will feel the effects of the expiry of the Low Middle Tax Offset when they lodge their next tax returns. There are some gains from corporate taxation and the Petroleum Resource Rent Tax (PRRT), but these reforms should have gone further. There are measures to support energy efficiency and build-to-rent housing though the tax system.

Budget Measures

- **Individuals**

There are few specific measures that directly affect the taxation of individuals. A number of measures that increase employment or welfare will result in higher tax collections as they are increase the earnings of individuals, for example increased immigration; extending the measure to allow age pensioners and veterans to earn more; and increased wages to aged care workers.

In addition to an uplift in the Medicare low income threshold, there will be an exemption from the Medicare Levy on a lump sum in arrears received by a low income earner who would have been eligible for a levy reduction if they had not received a lump sum in the income year. This will assist people who receive wages in arrears after a wage theft determination (Budget Paper No 2, p. 23).

Reforms to the tobacco excise will align the excise on tobacco sold by weight with cigarettes. This measure, which is part of the National Tobacco Strategy is estimated to increase receipts by $3.3 billion and increase GST payments to the states and territories by $290.0 million over the 5 years from 2022–23 (Budget Paper No 2, p. 11).

The Australian Tax Office (ATO) has received additional funding for personal income tax compliance activities for a net gain of $384 million; GST compliance for a net gain of $3.8bn in

GST and $3.8bn in other taxes, over the 5 years from 2022–23; and to merge the Serious Financial Crime Taskforce and Serious Organised Crime programs, with an estimated increase in receipts of $279.5 million and increase in payments of $256.6 million, including an increase in GST payments to the states and territories of $32.7 million over the 5 years from 2022–23. There is also an allocation to allow the ATO to engage with taxpayers with overdue accounts, including an amnesty for small businesses, expecting to raise a net $442.6 million over the 5 years from 2022–23. This includes $12.3 million in unpaid superannuation returned to employees, and $181.0 million in GST payments to the states and territories (Budget Paper No 2, pp. 16, 18, 20, 31).

Most significantly there is no extension to the Low Middle Income Tax Offset that expired in the year ended 30 June 2022, and there is no change to the Stage 3 tax cuts.

- **Corporate**

The following measures apply to corporate taxation:

Petroleum Resource Rent Tax (PRRT): There are several elements to this reform:

a) Clarifying the tax treatment of 'exploration' and 'mining, quarrying and prospecting rights' for the PRRT and for depreciation purposes. This is a technical amendment to clarify the intent of the law, and no estimates are provided (Budget Paper No 2, p. 24).
b) The Government will implement a cap of 90 per cent on the deductions that can be claimed in the calculation of PRRT for gas producers, effectively creating a minimum baseline of 10 per cent of gross receipts to calculate the PRRT. This will commence on the earlier of 7 years after the commencement of production or 1 July 2023.
c) The transfer pricing and PRRT tax avoidance rules will be updated to reflect current industry practices.

This measure is estimated to increase receipts by $2.4 billion over the 5 years from 2022–23. The Government will also provide $4.4 million in resourcing to the ATO to administer and ensure compliance with this measure. (Budget Paper No 2, p. 17)

Implementation of a global minimum tax and a domestic minimum tax: The Government will implement key aspects of Pillar Two of the OECD/G20 Two Pillar Solution to address the tax challenges arising from digitalisation of the economy:

a) Large multinational enterprises, with a global turnover of $1.2bn or more, will be subject to a 15 per cent global minimum tax, under two new principles: the Income Inclusion Rule will apply from 1 January 2024 and Undertaxed Profits Rule to income years starting on or after 1 January 2025.
b) A 15 per cent domestic minimum tax will also apply to income years starting on or after 1 January 2024.
c) The effect of these provisions will be that Australia can apply a "top up tax" where a resident company pays less than 15 per cent overseas, and can also impose a minimum tax rate of 15 per cent on Australian income.

d) This measure is estimated to increase receipts by $370.0 million and increase payments by $111.0 million over the 5 years from 2022–23 (Budget Paper No 2, p. 21).

Small Business Asset Write-off: From 1 July 2023 businesses with a turnover of less than $5m will be able to fully write-off assets that cost up to $20,000. This is an extension of the Temporary Full Expensing Measure available for the current year with the imposition of the cap of $20,000. There is also a 6 per cent uplift factor for the calculation of instalments, which are normally based on inflation (Budget Paper No 2, p. 28).

Clean Energy Transition: There are tax incentives available to support transition to a low energy economy:

a) Businesses with a turnover of up to $50m will be eligible for a 20 per cent increase in depreciation deductions for energy efficient assets, with further details yet to be released (Budget Paper No 2, p. 29);
b) The Fringe Benefits Tax concession legislated for electric vehicles will be phased out for Plug In Petrol Hybrids from 1 April 2025 (Budget Paper No 2, p. 26);
c) The clean building withholding tax concession to Managed Investment Trusts will be extended to also apply to warehouses and data centres where construction commences after 9 May 2023 (Budget Paper No 2, p. 19); and
d) The Heavy Vehicle Road User Charge rate will be increased from 27.2 cents per litre of to 32.4 cents per litre in 2025–26, decreasing expenditure on the fuel tax credit by $1.1 billion over 4 years from 2023–24 (Budget Paper No 2, p. 177).

Housing: Build to Rent: Tax concessions to encourage new build-to-rent projects include increasing the rate for the capital works tax deduction (depreciation) to 4 per cent per year allowing the cost to be written off over 25 years instead of the current 40 years; and the final withholding tax rate on eligible fund payments from managed investment trust (MIT) investments to overseas investors will be reduced from 30 per cent to 15 per cent (Budget Paper No 2, p. 19).

Background: current circumstances of women in this portfolio

Women have an interest in the distributional outcomes of the taxation system as women are overrepresented in the lower income deciles, and under underrepresented in the higher income deciles relative to men. The 2022 Tax Expenditures and Insights Statement includes a distributional analysis of the range of tax concessions within the taxation system. It provides the following gender breakdown:

Table A3.3 Breakdown of personal income tax filers by gender, 2019–20

	Number of tax filers	Average income	Share of tax paid (%)
Men	8,043,000	$74,000	64.2
Women	7,741,000	$52,600	35.8

Source: 2022 Tax Expenditures and Insights Statement, p. 207

Although the share of tax paid by men is higher, this is a direct consequence of the difference in average income. Therefore tax concessions that support high income earners will flow to men more than women.

Analysis of the gendered effect of corporate tax measures is more nuanced as the analysis must take into consideration the way in which income flows from companies to individuals and the impact of taxes on pricing policies. However, it is known that although men and women receive similar values of franked dividends, men receive a higher proportion of franking credits:

Table 2.41 Franking credits received by gender, 2019–20

Gender	Average franking credit amount ($)	Recipients (million)	Share of total credits received (%)
Men	5,870	1.6	54
Women	5,100	1.6	46
Total	5,490	3.1	100

Source: 2022 Tax Expenditures and Insights Statement, p. 53

However, the overall revenue collected by the tax system does have a gendered impact through the allocation of funding to services, including health, education and care infrastructure. Women have an interest in ensuring that the government collects sufficient revenue to fund these services adequately.

Gender implications of this budget measure

The most significant revenue raising measures are in the corporate sector through the amendments to the PRRT and the multinational tax reforms. The amendments to the PRRT are minimal and, should have gone further. However the most pressing issues identified in the 2017 Petroleum Resource Rent Tax Review have been considered in the proposed reforms. There are also measures to collect outstanding taxes through compliance programs.

It is important that as consultation continues, the Albanese Government ensures that the design of these measures collects a fair share of tax for the Australian community.

We also note the absence of any measures to address the stage 3 tax cuts, now estimated to cost $41bn over the forward estimates, which have a strongly gendered effect. Parliamentary Budget Office costings in 2023, updated from 2021 estimated that men will receive 65 per cent of the tax reduction under Stage 3, and that 72.6 per cent of the benefits to 2031-32 will go to taxpayers in the top 20 per cent of income earners. Concurrently the Low Middle Tax Offset, that provided a tax refund of up to $1,500 for people earning less than $126,000, has expired.

NFAW has opposed both measures in the past. This year we are of the view that, as bracket creep has picked up, the stage 3 tax cuts must be redesigned, and the personal income tax rates reviewed to ensure that bracket creep is addressed for low and middle income earners instead of favouring high income earners. The 2023–24 budget papers show that personal tax collections will be increased through bracket creep as low paid workers, including care workers, pensioners and migrants, receive wage increases. This will disproportionately affect women as women are overrepresented in these sectors and in the lower tax brackets. The restructured tax rates must result in a more equitable distribution between high and low income earners, and make savings to fund more meaningful reform to services including Jobseeker.

Recommendations

The stage three tax cuts due to come into effect from 1 July 2024 must be reviewed and restructured to correct bracket creep at lower tax levels, while reining in the excessive tax reduction planned for taxpayers earning more than $120,000.

The PRRT measures do not go far enough. In the consultation phase of the PRRT the government must ensure that the final design ensures that the tax payable is commensurate with the benefits that these corporations derive from exploiting Australian natural resources.