

# *Asia Pacific Tax Newsalert*

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**Australia**

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## *Australian budget speech highlights*

### *Overview*

On May 8, Australian Treasurer Wayne Swan presented the Federal Budget for the 2012/2013 financial year. This newsalert summarizes the key points for US multinational companies with Australian operations.

### *Key tax changes*

#### **Tax loss carrybacks**

- The budget confirms the Treasurer's May 6th announcement that the Australian government would allow businesses to carry tax losses back to prior income tax years.
- Beginning July 1, 2012, companies and entities that are taxed like companies in Australia will be able to carry back up to AU\$1 million of tax losses to offset Australian tax paid in the immediately preceding income tax year.
- Beginning July 1, 2013, companies will be able to carry back up to AU\$1 million of tax losses to offset Australian tax paid during the two preceding income tax years.
- This represents a cash benefit of up to AU\$300,000 for eligible Australian companies.
- Refunds are limited to the balance of a company's "franking account."



- Neither the Treasurer's announcement nor the budget itself contained additional details regarding the carryback proposals. The Australian government has indicated that it will release a discussion paper on the new rules shortly.

#### **Increase in managed investment trust (MIT) final withholding tax rate**

- Commencing July 1, 2012, certain distributions from MITs to nonresidents will be subject to an increased withholding tax rate of 15 percent (up from 7.5 percent).
- This final withholding tax rate will apply to distributions of certain Australian-sourced income and capital gains on "taxable Australian property" to residents of any country with which Australia has an exchange of information agreement.
- There is no change to the 30 percent withholding rate on distributions by MITs to other nonresidents.
- Nonresidents may wish to review investments made through MITs to determine the increased withholding rate's impact on investment returns.

### *Previously announced measures withdrawn*

#### **Reduced company tax rate**

- The Australian Government announced that it will not reduce the company tax rate. The reduction in the company tax rate to 29 percent (from the current rate of 30 percent) had been proposed to apply beginning in the 2012-13 income year for small business taxpayers, and in the 2013-14 income year for all other companies.

#### *For more information, please contact:*

##### *Your tax contacts in the United States:*

<i>Sean Keegan</i>	<i>+1 646 471 8085</i>	<i>s.keegan@us.pwc.com</i>
<i>Kristy Ripp</i>	<i>+1 646 471 0913</i>	<i>kristy.x.ripp@us.pwc.com</i>

##### *Your tax contacts in Australia:*

<i>Chris Morris</i>	<i>+61 2 8266 3040</i>	<i>chris.j.morris@au.pwc.com nm</i>
<i>Peter Collins</i>	<i>+61 3 8603 6247</i>	<i>peter.collins@au.pwc.com</i>

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