In its 2016-17 budget the federal government has released a raft of new measures that it says will help modernise and build integrity into Australia's tax and superannuation systems.

Small business will be the biggest beneficiary of the measures, while high-income earners building their super for wealth creation will be targeted to help the government raise A$2.9 billion.

From July 1 this year, businesses with turnover of less than $10 million per annum will pay a reduced tax rate of 27.5%. The same rate will only kick in for large companies (with turnover of $1 billion or more) in 2023. The tax rate for businesses both big and small will only hit the headline 25% rate in 2026.

The instant asset write off for small businesses will be extended to businesses with turnover of up to $10 million per annum, and the government will undergo a trial of simpler business activity statements.

The government claims these tax measures will contribute to a 1% increase in GDP, according to Treasury modelling.

There's little in the way of tax cuts for individuals however, apart from a move on bracket creep that will increasing the upper limit for the middle income tax bracket that pays 37 cents in the dollar from $80,000 to $87,000 per year.

As expected, the government will increase the tax paid on super contributions by those on incomes of $250,000 or more from 15% to 30%. A range of other caps and reductions in concessions aimed at high-income earners will deliver the government revenue to extend the low income super tax offset. This will allow those on incomes of $37,000 or less to receive a refund of tax paid on concessional contributions up to $500.

And in a bid to help women who have career breaks, the government will introduce "catch-up super contributions” that will allow unused concessional contributions to be carried forward for up to 5 years for those with super balances of $500,000 or less.

A new “Diverted Profits Tax” will hit companies found shifting profits offshore with a tax rate of 40%. This is expected to raise $200 million by 2019. The government will also increase penalties for large companies that lodge their tax returns late, and fund a “tax avoidance taskforce” that’s expected to help the government raise $3.7 billion over the next four years. It will also strengthen protection for whistleblowers who report tax avoidance.

There will be four annual 12.5% increases in tobacco excise from 2017, which will help the government raise $4.7 billion. This measure will be backed up with a $7.7 million “strike team” to crack down on illegal tobacco activity.

Our experts respond below.

What changes will be made to superannuation tax?

Helen Hodgson, Associate Professor, Curtin Law School and Curtin Business School

The superannuation package will deliver a significant redistribution through scaling back the tax concessions available to people with high superannuation balances and/or the capacity to make substantial contributions to superannuation. The measures, with the exception of the lifetime cap, will commence from 1 July 2017.

The good news is the restoration of a tax offset for low income earners with income of less than $37,000 pa. The new Low Income Superannuation Tax Offset (LISTO) is very similar to the LISC: although the method of calculation is different, it will reduce any tax paid by the fund by up to $500 as long as a concessional contribution has been made during the year.

As expected, the concessional contributions cap has been reduced, although the new contribution is cap of $25,000 is at the higher end of the predictions. This is effectively reduces the current cap by $5,000 pa for people under 50, and $10,000 for people over 50. This cap can also be rolled over to assist people who have interruptions to their workforce participation, as long as their superannuation account balance is less than $500,000.

An associated measure will allow additional tax deductions for people who may not have been able to access the cap. This could arise where an employer will not allow salary sacrificing, or where a person has some income from paid employment but the balance of their income is from self employment. In such cases a person could not claim a tax deduction on topping up their superannuation so that additional contributions were treated as non-concessional contributions. This measure will allow consistent treatment across contributions.

The work test is being withdrawn so that people aged over 65 will no longer have to show that they are gainfully employed, which will allow either concessional or non-concessional contributions to be made up to the age of 75.

The non-concessional cap is being completely restructured. Under the rules that were in place prior to budget night a person could contribute up to $180,000 a year, or $540,000 every three years under the bring-forward rule.

With effect from Tuesday 3 May, the cap has been converted to a lifetime cap of $500,000. This will include all non-concessional contributions made since 1 July 2007, although if the cap has already been reached there will be no penalty imposed. However in future if a person breaches this cap it will be required to be withdrawn or subject to penalty tax.

Other measures to reduce the tax benefits to high income earners are the lowering of the income threshold where contributions are subjected to the higher 30% tax rate to $250,000. However there is a new proposal to limit the tax exemption of superannuation in retirement phase when the member has a balance of more than $1.6m in assets. If a member balance is more than $1.6m, the surplus needs to be left in accumulation phase where it is subject to 15% tax, or penalties will apply. Assets that are used to support transition to retirement income streams are also to be taxed at 15% in the superannuation fund.

In addition to the rollover of concessional contributions, a spouse can receive a tax offset of up to $540 for contributions made on behalf of a spouse who earns less than $37,000 – increased from $10,800. The low income threshold resulted in the existing concession being underutilised. However there is no superannuation guarantee requirement on paid parental leave.

Overall, the package is progressive. The government has estimated that the net increase to the revenue is $2.9bn after redistributing over $3bn to low income earners and in removing some anomalies.

There is evidence that high income earners will continue to save in other environments. The test will be how much of the savings is switched to productive income, and how much goes to other tax shelters, such as the property market.

How will tax excises change and what will this mean for the cost of alcohol and cigarettes?

Megan Vine, Law Lecturer, UNE

The proposed a 12.5% annual increase in tobacco excise over the next four years to 2020, will act as a continuation of the same increase over the previous four years introduced by the Labor government. If previous estimates are correct this means a 25-cigarette pack will cost approximately $40 by 2020. In addition to increases in tobacco tax the government will be decreasing the duty free tobacco allowance in Australia from 50 cigarettes to 25 cigarettes or equivalent.

There will be no changes to excise tax rates for alcohol or fuel and no changes to the way in which wine is taxed. This means inconsistencies in the current tax arrangements for alcohol, where rates of taxation vary considerably for different types of alcoholic beverages will not be addressed by the current budget.

However, as part of its Ten Year Enterprise Tax Plan, the current brewery refund scheme, which provides a refund to independent breweries of 60% of the excise duty paid up to a maximum of $30,000 per financial year, will be extended to domestic distilleries and producers of low strength fermented beverages such as non-traditional cider from 1 July 2017.

Further in response to integrity concerns the government will be reducing the wine equalisation tax (WET) rebate cap from $500,000 to $350,000 on 1 July 2017 and to $290,000 on 1 July 2018 and will be tightening eligibility criteria from 1 July 2019. Hopefully these changes will have some impact on the distorting effects of the rebate discussed in the Senate Committee report into the grape and wine industry. The Government will also be providing $50 million over four years to the Australian Grape and Wine Authority to promote wine tourism within Australia and Australian wine overseas to benefit regional wine producing communities. While changes to eligibility will likely be welcomed by the wine industry the reduction in the cap may impact smaller producers.

Will there be a new Australian Google tax to crack down on tax avoidance?

Antony Ting, Associate Professor, University of Sydney

The government has introduced the Multinational Anti-Avoidance Law (MAAL), commonly known as the Google Tax, effective from 1 January this year. The MAAL is designed to deal with tax avoidance structures of multinational enterprises such as Google and Microsoft.

Early signs suggest that the MAAL has both positive and negative impact on the behaviour of MNEs. On the positive side, many multinationals have proactively initiated discussion with the Australian Taxation Office with the intention to ascertain whether they will be subject to the MAAL, and if so, to explore how they should restructure to comply with the law. An obvious positive result of the MAAL is that Google recently announced that it will restructure its operations and commence to pay more tax in Australia in 2016

On the negative side, the ATO has recently released a tax alert to warn multinationals that it is aware that some have entered into "artificial and contrived arrangements to avoid the application of the MAAL".

The silver lining of this development is that it suggests that the ATO appears to be on top of the issue and the release of the tax alert is likely to have some deterrent effect to curb the zest for aggressive tax planning by multinationals with respect to the MAAL.

To further strengthen the tax law on this front, the Treasurer announced in the Budget that the government will introduce an even stronger anti-avoidance law, a new Diverted Profits Tax (DPT). The new tax will be effect from 1 July 2017. Its design follows largely the DPT introduced in the UK last year.

The new DPT will have a wider scope than the MAAL. It will apply to large multinationals (with a global revenue of at least $1 billion) if among other things, a multinational has artificially shifted profits from Australia and the foreign tax paid on that profits is less than 80% of the Australian tax otherwise payable.

In other words, if the profits are shifted to a jurisdiction with a corporate tax rate of less than 24%, the DPT may apply. This threshold will cover most of the low tax countries commonly used by multinationals in their tax avoidance structures.

If properly designed, the new DPT is likely to have strong deterrent effect. This is because its tax rate is 40%, which is 10% higher than the standard corporate tax rate in Australia. The experience in the UK with its version of the DPT suggests that this penalty rate will be an important factor for MNEs to consider before entering into aggressive tax avoidance structures.

The new DPT is a welcome move by the government to combat tax avoidance by multinationals.

Do the tax changes represent real reform?

John Freebairn, Professor, Department of Economics, University of Melbourne

The Treasurer has proposed tax reforms which in aggregate are approximately aggregate revenue neutral. The question then is will the reforms reduce distortions to productive decisions to work, invest and spend, and what are the implications for distribution of the tax burden?

The decision to extend special tax concessions to small businesses (a lower rate of 27.5%, immediate write-off for investments less than $20,000, and extend the small business definition from turnover of $2 million to $10 million) while maintaining the current higher taxation of larger businesses might be politically popular, but it involves a revenue loss for no productivity gains. While the Treasurer indicated funds to pay for the current changes, mostly from greater integrity of the taxation of multinational companies. However, no indications were given for funding to extend the 27.5% rate to all businesses by 2023-24.

There is no compelling evidence that small businesses are more or less important or successful than large businesses in creating jobs, developing and implementing new products and production processes. There are many examples of successes and failures across both small and large businesses. The revised $10 million cut-off for the concessions is just as arbitrary as the preceding $2 million number. A more nationally productive reform would have identical and lower tax rates on comprehensive business income tax bases independent of size.

Budget proposal to reduce some of the tax concessions for superannuation for high income earners and use the revenue saved to raise the personal income tax bracket from an annual income of $80,000 to $87,000 for those on upper middle and above incomes represents a very tentative move towards a more equitable and less distorting system of personal income taxation. Of course, part of the change is no more than a return of bracket creep and the associated increase of average tax rates for all.

Those who are making large superannuation contributions will lose more from the reduced concessions than the gain from the lower tax rates. For many with average decisions the gain and loss will roughly cancel. A broad and comprehensive labour income tax base would tax all forms of remuneration, including super and fringe benefits, the same as wages and salary income. The broader base and lower rate approximately revenue neutral package would reduce distortions to decisions to work and encourage participation.

The Treasurer in defending no changes to the lower income tax brackets fell back on the argument that these people received income tax cuts as compensation for the carbon tax introduced in July 2012. Bracket creep is causing larger increases in average tax rates for the two-thirds of taxpayers with incomes below average weekly earnings. When the carbon tax was removed in July 2014, the income tax cuts were retained. This seems a tough equity argument to sell.

Helen Hodgson receives funding from AHURI. Helen Hodgson is a member of the ACOSS Tax

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