TAXWISE BUSINESS NEWS

BUDGET EDITION - May 2024

If you require any assistance or advice, please contact us.

Vlassis & Co
Chartered Accountants & Business Advisors
217 Gouger Street, Adelaide SA 5000
PO Box 10387, Adelaide SA 5000

ph: +61 8 8221 6877
vlassis@vlassisco.com.au
www.vlassisco.com.au

IN THIS ISSUE

BUDGET OVERVIEW

On Tuesday 14 May 2024, the Treasurer, the Hon Dr Jim Chalmers MP, delivered the Federal Budget 2024–25, his third Budget. The headlines focus on cost-of-living measures, principally the Stage 3 tax cuts which were redesigned in February. From 1 July 2024, 13.6 million workers will receive an average tax cut of $1,888 a year ($36 a week). Other cost-of-living measures include another increase in Rent Assistance and a $300 energy bill rebate.

The Government will also forego $3 billion in tertiary student debt by changing the method of indexation. This is estimated to save the average person with a HELP debt around $1,200.

Turning to the economy, economic growth is forecast to be 2% for 2024–25, increasing slightly to 2.25% for 2025-26. Globally, growth is expected to be 3.5% over the next three years. The unemployment rate of 3.8% is forecast to rise to 4% by 30 June 2024 and then to 4.5% for 2024–25.

Inflation seems to be easing. Treasury says that inflation could be down to 2.75% by the middle of 2025. Before the Budget, the Reserve Bank had forecast inflation to still be at 3.2% in June next year. Will the Reserve Bank revise its forecast in light of the Budget?

If the projected $9.3 billion surplus for 2023–24 materialises, this will mean a surplus in two consecutive years ($22.1 billion in 2022–23). However, the Budget forecasts a deficit of $28.3 billion for 2024–25 and recurring deficits in the forward estimates period to 2027–28.

Other headline items in the Budget are the *Future Made in Australia* subsidy program, an additional $6.2 billion on housing and further support for the Pharmaceutical Benefits Scheme. We provide a bit more information on those measures later in this Special Budget Edition of TaxWise.

If you want to look at the Budget Papers, these can be found here.

Key Tax and Superannuation Measures

It was an unusually low-key Budget from a tax and superannuation perspective. The big-ticket item — the redesigned Stage 3 personal income tax cuts — was a reannouncement of already legislated changes that take effect on 1 July 2024. The only other measures of note are:

- a 12-month extension (to 30 June 2025) of the $20,000 instant asset write-off for small businesses;
- tightening the foreign resident CGT rules;
- changing the start date for amendments to the general anti-avoidance rules;
- extending from 14 days to 30 days the time the Australian Taxation Office (**ATO**) has to notify a taxpayer if it intends to retain a BAS refund for further investigation;
- paying superannuation on government-funded Paid Parental Leave for births and adoptions on or after 1 July 2025 (this was announced before the Budget); and
- reforming the formula used to index student loans (also announced before the Budget).

BUSINESS INCOME TAX MEASURES

Small Business – $20,000 Instant Asset Write-off Extended

The Government will extend the $20,000 small business instant asset write off (**IAWO**) by 12 months until 30 June 2025.

Small businesses, with an aggregated annual turnover of less than $10 million, will continue to be able to immediately deduct the full cost of eligible assets costing less than $20,000 that are first used or installed ready for use by 30 June 2025. The asset threshold applies on a per asset basis so small businesses can instantly write off multiple assets.

Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter.

Provisions that prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out will continue to be suspended until 30 June 2025. This will be the seventh time since 12 May 2015 that the IAWO threshold has been varied.

Importantly, last year's budget measure that proposed to temporarily increase the IAWO threshold to $20,000 for the 2023–24 income year has still not been legislated. The Senate has amended the Bill to temporarily increase the asset threshold from

$20,000 to $30,000 and the aggregated turnover threshold from $10 million to $50 million for 2023–24 only. However, these amendments must be agreed to by the House of Representatives before they can become law. At the time of writing, the Parliament was still considering the final form of the IAWO for the 2023–24 income year. The ongoing uncertainty of this measure is greatly concerning as SBE taxpayers have a mere five weeks until the end of the 2023–24 income year yet still do not have certainty on the tax treatment of their depreciating assets.

Foreign Resident CGT Regime

The Government will strengthen the foreign resident capital gains tax (CGT) regime to ensure foreign residents pay their fair share of tax in Australia and to provide greater certainty about the operation of the rules. The amendments will apply to CGT events commencing on or after 1 July 2025 to:

- clarify and broaden the types of assets on which foreign residents are subject to CGT;

- modify the principal asset test from a point in time to a 365-day testing period;

- require foreign residents disposing of shares and other membership interests worth more than $20 million in value to notify the ATO before executing the transaction.

This measure will ensure that Australia can tax foreign residents on direct and indirect sales of assets with a close economic connection to Australian land, more in line with the tax treatment that already applies to Australian residents. The new ATO notification process will improve oversight and compliance with the foreign resident capital gains withholding rules, requiring vendors to notify the ATO even if they have self-assessed their sale is not taxable real property and not subject to foreign resident CGT withholding.

The Government said that these reforms will also improve certainty for foreign investors by aligning Australia's tax law for foreign resident capital gains more closely with OECD standards and international best practice.

The Government will consult on the implementation details of the measure.

Rugby World Cup Measures

The Government will provide income tax exemptions to World Rugby and/or related entities for income derived in relation to the Rugby World Cup 2027 (men's) and Rugby World Cup 2029 (women's) events (**RWC events**). The exemptions will apply to income derived in relation to the RWC events for the 2023–24 to 2030–31 income years (inclusive). The Government will also provide an exemption from interest, dividend and royalty withholding tax liabilities arising from payments relating to RWC events.

INDIVIDUALS – NON-BUSINESS TAX MEASURES

Personal Rates – No More Changes

Just to remind you, the new income rates that apply from 1 July 2024 to resident taxpayers are set out in the table below.

Taxable income	Tax payable
$0 – $18,200	Nil
$18,201 – $45,000	Nil + 16% of excess over $18,200
$45,001 – $135,000	$4,288 + 30% of excess over $45,000
$135,001 – $190,000	$31,288 + 37% of excess over $135,000
$190,001+	$51,638 + 45% of excess over $190,00

Foreign Residents

For 2024–25 and later income years, the tax rates for foreign residents are:

- $0 – $135,000: 30%;
- $135,001 – $190,000: 37%;
- $190,001+: 45%.

Working Holidaymakers

For 2024-25 and later income years, the rates of tax for working holiday makers are:

- $0 – $45,000: 15%;
- $45,001 – $135,000: 30%;
- $135,001 – $190,000: 37%;
- $190,001+: 45%.

(It would be surprising if a working holiday maker's marginal rate was 37% let alone 45%.)

Low Income Offset

The low income offset (LITO) is unchanged. The maximum amount of the LITO remains $700.

The LITO reduces at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000 and then at a rate of 1.5 cents per dollar between taxable incomes of $45,000 and $66,667. The LITO is not payable where a person's taxable income exceeds $66,667.

Medicare Levy Low Thresholds

The Medicare levy low-income thresholds for 2023–24 were announced in February in conjunction with the revised Stage 3 tax cuts, instead of in the Budget (the usual practice), and have already been legislated.

HELP Debts

Shortly before the Budget, the Government announced a change to the way that Higher Education Loan Program (**HELP**) debts are indexed.

HELP debts older than 11 months are indexed each year on 1 June. The Consumer Price Index (**CPI**) indexation rate is currently used to index student debts. In April, however, the Government announced that the indexation factor will be the lower of the CPI or the Wage Price Index (**WPI**). The quarterly WPI measures the change in the price of wages and salaries in the Australian labour market over time. In a similar way to the CPI, it follows changes in the hourly rate paid to a fixed group of jobs (see the ABS website for more information).

The change will be backdated to 1 June 2023. Accordingly, the new indexation formula will apply to all HELP, VET Student Loans and other student support loan accounts that existed on 1 June 2023. This means that the indexation rate of 7.1% applied on 1 June 2023 would be reduced to 3.2% and the indexation rate to be applied on 1 June 2024 of 4.7% would be reduced to 4%.

New Deductible Gift Recipients

The Government will amend the tax law to specifically list the following organisations as deductible gift recipients (**DGRs**):

- The Hillview Foundation Australia Limited for gifts received from 1 July 2024 to 30 June 2029;
- Skip Foundation Ltd for gifts received from 1 July 2025 to 30 June 2030;
- Combatting Antisemitism Fund Limited for gifts received from 1 July 2025 to 30 June 2030.

The Government has also approved DGR status for the Australian Muslim Advocacy Network's AMAN Foundation Ltd.

The listing of Combatting Antisemitism Fund Limited and Skip Foundation Ltd is subject to charity registration with the Australian Charities and Not-for-profits Commission.

In addition, the listing of Skip Foundation Ltd is subject to the condition that DGR funds can be used only for purposes consistent with existing DGR categories in the tax law, and it will maintain minimum annual distributions consistent with the current requirements for ancillary funds.

Defunct DGRs

The Government will also remove the following specifically listed DGRs as the organisations are no longer operating:

- Don Chipp Foundation Ltd;
- Ian Clunies Ross Memorial Foundation;
- Ian Thorpe's Fountain for Youth;

- Layne Beachley – Aim for The Stars Foundation Limited;
- National Congress of Australia’s First Peoples Limited;
- Sir William Tyree Foundation;
- SouthCare Helicopter Fund Pty Limited; and
- The Lingiari Policy Centre Limited.

Charity Reporting

The Government will remake the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Regulation 2016* with an extension of the current charity transitional reporting arrangement for five years.

INTERNATIONAL TAX

- The Government announced a number of measures relating to multinationals.

- Australian plantation forestry entities will be exempt from the new earnings-based thin capitalisation rules, allowing these entities to continue to apply the former asset-based rules.

- The measure *Denying deductions for payments relating to intangibles held in low- or no-tax jurisdictions* announced in the October Federal Budget 2022–23 will be discontinued as the integrity issues will now be addressed through the Global Minimum Tax and Domestic Minimum Tax being implemented by the Government. The original proposal would have prevented significant global entities (entities with global revenue of at least $1 billion) from claiming tax deductions for payments made directly or indirectly to related parties in relation to intangibles held in low- or no-tax jurisdictions. (A low- or no-tax jurisdiction would be a jurisdiction with a tax rate of less than 15% or a tax preferential patent box regime without sufficient economic substance.)

- The Government will introduce a new penalty from 1 July 2026 that applies to taxpayers who are part of a group with more than $1 billion in global turnover annually that are found to have mischaracterised or undervalued royalty payments, to which royalty withholding tax would otherwise apply.

INDIRECT TAXES

The Government announced the following measures.

- The start date of certain components of the Federal Budget 2022–23 measure *Streamlining excise administration for fuel and alcohol package* will be changed. Components that streamline licence application and renewal requirements will commence the later of 1 July 2024 (current start date) or the day following Royal Assent, with the requirement for the ATO to publish on its website a public register of excise licences and excise equivalent warehouse licences applying from 30 days following commencement of legislation. In addition, the removal of regulatory barriers applying to bunker fuels for commercial shipping industries will apply from 1 January 2025, instead of 1 July 2024.

- The agricultural levy and charge on sweet potatoes will be amended at the request of Australian Sweetpotato Growers Inc. From 1 July 2024, the Government will decrease the marketing component of the levy and charge from 1.0% of sale value to nil. This change will decrease the overall levy rate on sweet potatoes from 1.5% to 0.5%.

- Refunds of indirect tax (including GST, fuel and alcohol taxes) under the Indirect Tax Concession Scheme (**ITCS**) will be extended. The Square Kilometre Array Observatory (**SKAO**) will have ITCS access upgraded for additional concessions to be claimed for the purchase of vehicles for personal use by SKAO officials, or a member of their family. Additional concessions for commercial rent will also be formalised for existing ITCS packages for Bangladesh, Costa Rica, El Salvador and the Taipei Economic and Cultural Office. Construction and renovation concessions will be formalised for the existing ITCS package for the Netherlands. Concessions for both commercial rent and construction and renovation will be formalised for the existing ITCS package for Pacific Trade Invest.

The duty exemption for Ukrainian goods will be extended by a further two years, to 3 July 2026. This measure applies a ‘free’ rate of duty to all goods that are the produce or manufacture of Ukraine except for excise-equivalent goods, such as certain alcohol, fuel, tobacco and petroleum products, which will remain subject to excise-equivalent customs duty.

OTHER TAX MEASURES

General Anti-Avoidance Rules

The proposed expansion of the general anti-avoidance rule in the income tax law (Part IVA of the *Income Tax Assessment Act 1936*), as announced in the Federal Budget 2023–24, will now apply for income years commencing on or after the day the enabling legislation receives Royal Assent, regardless of whether the scheme was entered into before that date. As originally proposed, the measure would have applied for income years commencing on or after 1 July 2024.

As a reminder, the Government proposed to extend Part IVA to schemes that:

- reduce tax paid in Australia by accessing a lower withholding tax rate on income paid to foreign residents; and

- achieve an Australian income tax benefit, even where the dominant purpose was to reduce foreign income tax.

ABN Compliance

The Government will no longer proceed with the Federal Budget 2019–20 measure announced by the former Government — *Black Economy – Strengthening the Australian Business Number system*, as integrity issues are being addressed through enhanced administrative processes implemented by the ATO. The original measure in the Federal Budget 2019–20 proposed imposing new compliance obligations for ABN holders to retain their ABN. Currently, ABN holders can retain their ABN regardless of whether they are meeting their income tax return lodgment obligations or the obligation to update their ABN details.

Old Tax Debts

The tax law will be amended to give the ATO a discretion to not use a taxpayer's refund to offset old tax debts, where the that old tax debt had been put on hold before 1 January 2017. This discretion will apply to individuals, small businesses and not-for-profits, and will maintain the ATO's current administrative approach.

The Government will also make minor amendments to Treasury portfolio legislation that clarify the law to ensure it operates in accordance with the policy intent and make minor policy changes to improve administrative outcomes. Further information can be found on the Treasury website under the consultation page *Miscellaneous Amendments to Treasury Portfolio Laws 2024*.

SUPERANNUATION

Paying Super on Paid Parental Leave

On 8 March 2024, the Government announced that superannuation would be paid on government-funded paid parental leave (**PPL**) for births and adoptions on or after 1 July 2025 (by then the Superannuation Guarantee rate will be 12%).

This measure is part of the Government's plan to modernise PPL. The first step is providing additional PPL (already legislated):

- an additional two weeks from 1 July 2024 (making 22 weeks in total);
- a further two weeks from 1 July 2025 (making 24 weeks in total); and
- a further two weeks from 1 July 2026 (making 26 weeks in total).

In the Budget, the Government said it will provide $1.1 billion over five years from 2023–24 (and $0.6 billion per year ongoing) to strengthen the PPL scheme and improve women's retirement outcomes. Funding includes:

- $1.1 billion over four years from 2024–25 (and $0.6 billion per year ongoing) to pay superannuation on Commonwealth government-funded PPL for births and adoptions on or after 1 July 2025. Eligible parents will receive an additional payment based on the Superannuation Guarantee (12% of their PPL payments), as a contribution to their superannuation fund;

- $10.0 million over two years from 2024–25 to provide additional support for small business employers in administering PPL; and

- $1.4 million over two years from 2023–24 to update communication products and documents for potential PPL recipients.

TAX COMPLIANCE

Personal Income Tax Compliance

The Government will extend the ATO Personal Income Tax Compliance Program for one year from 1 July 2027. This extension will enable the ATO to continue to deliver a combination of proactive, preventative and corrective activities in key areas of non-compliance, including overclaiming of deductions, incorrect reporting of income and inappropriate tax agent influence. This will enable the ATO to continue its focus on emerging risks to the tax system, such as deductions relating to short-term rental properties.

ATO Counter Fraud Strategy

The Government will provide $187.0 million over four years from 1 July 2024 to the ATO to strengthen its ability to detect, prevent and mitigate fraud against the tax and superannuation systems. Funding includes:

- $78.7 million for upgrades to information and communications technologies to enable the ATO to identify and block suspicious activity in real time;

- $83.5 million for a new compliance taskforce to recover lost revenue and intervene when attempts to obtain fraudulent refunds are made;

- $24.8 million to improve the ATO's management and governance of its counter-fraud activities, including improving how the ATO assists individuals harmed by fraud.

The Government will also provide $0.4 million over four years from 1 July 2024 to the Department of Finance to undertake a Gateway Review process over the life of the proposal to ensure independent assurance, oversight and delivery of the measure.

Further, the Government will strengthen the ATO's ability to combat fraud by extending the time the ATO has to notify a taxpayer if it intends to retain a business activity statement (**BAS**) refund for further investigation. The ATO's mandatory notification period for BAS refund retention will be increased from 14 days to 30 days to align with time limits for non-BAS refunds.

The extended period will strengthen the ATO's ability to combat fraud during peak fraud events like the one that triggered Operation Protego. Legitimate refunds will be largely unaffected. Any legitimate refunds retained for over 14 days would result in the ATO paying interest to the taxpayer (as is currently the case). The ATO will publish BAS processing times online.

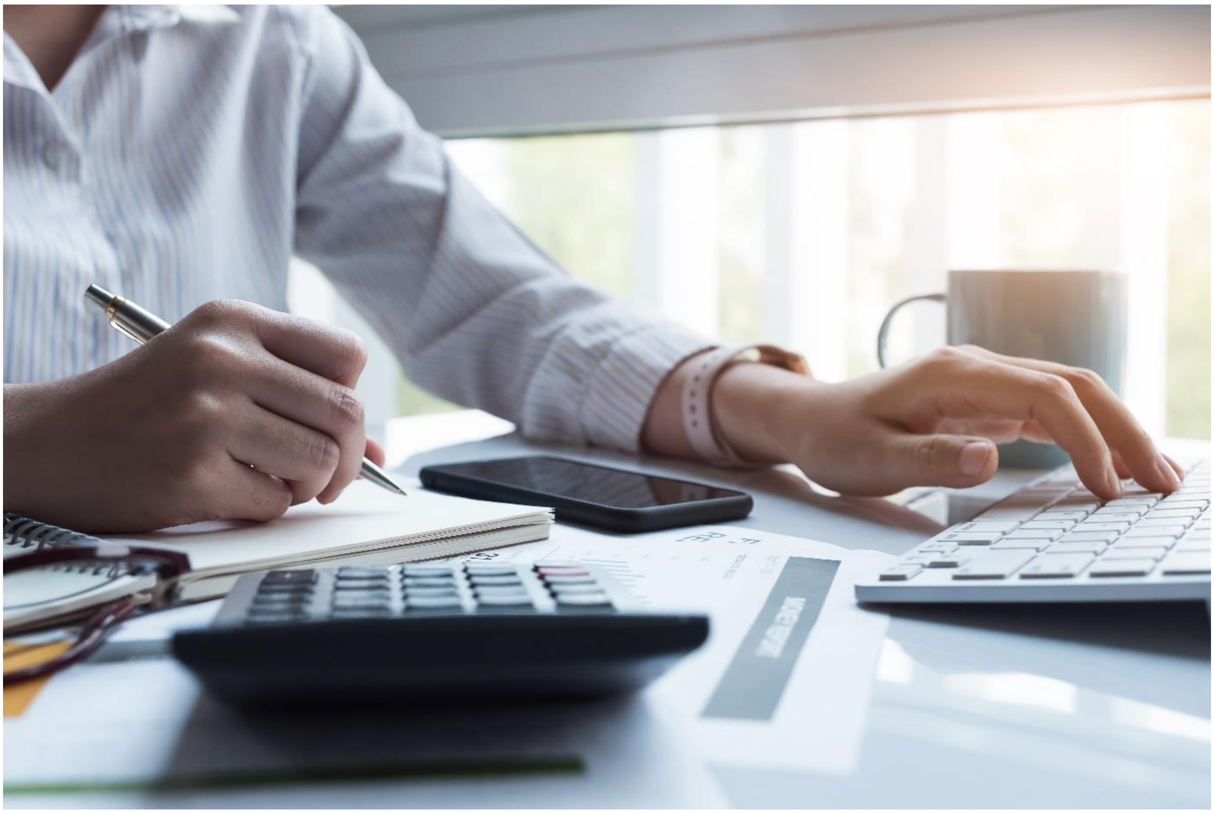
This will have effect from the start of the first financial year after the enabling legislation receives Royal Assent.

Shadow Economy Compliance Program

The Government will extend the ATO Shadow Economy Compliance Program for two years from 1 July 2026. This extension of the Shadow Economy Compliance Program will enable the ATO to continue to reduce shadow economy activity, thereby protecting revenue and preventing non-compliant businesses from undercutting competition.

Tax Avoidance Taskforce

The Government will extend the ATO Tax Avoidance Taskforce for two years from 1 July 2026. Extending the Taskforce ensures the ATO continues to be well resourced to pursue key tax avoidance risks, with a focus on multinationals, large public and private businesses, and high wealth individuals.



MISCELLANEOUS MEASURES

New Administrative Review Tribunal

In December 2023, legislation to replace the Administrative Appeals Tribunal (**AAT**) with a new Administrative Review Tribunal (**ART**) was introduced into Parliament. It is presently being considered by the Senate.

In the Budget, the Government said it will provide $1.0 billion over five years from 2023–24 (with $210.8 million per year ongoing from 2028–29 and an additional $194.2 million from 2028–29 to 2035–36) to establish and support the ART and to address court backlogs associated with high numbers of applications for judicial review of migration decisions.

Anti-Money Laundering and Counter-Terrorism

The Government will provide $168.0 million over four years from 2024–25 to implement reforms to strengthen Australia's Anti-Money Laundering and Counter-Terrorism Financing regime, to enhance Australia's ability to detect and disrupt illicit financing. Funding includes:

- $160.8 million over two years from 2024–25 for the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) to expand its regulatory, intelligence and data capabilities and provide guidance to newly regulated entities; and

- $7.0 million over four years from 2024–25 for the Attorney General's Department to support the implementation of the legislative reforms through the provision of policy and legal advice and stakeholder consultation, and to deliver a program of antimoney laundering and counterterrorism financing capacity building in the Pacific.

The cost of this measure will be partially met from the Confiscated Assets Account under the *Proceeds of Crime Act 2002*.

Digital IDs and eInvoicing

The Government will provide $288.1 million over four years from 2024–25 to support the initial delivery of the Digital ID system and support more Australians to realise the economic and privacy benefits of Digital IDs.

Funding includes $155.6 million over two years from 2024–25 to the ATO to continue operating and improving the Government's Digital ID, myGovID, and the system which supports authorised access to a range of government business services.

The Government will also provide $23.3 million over four years from 2024–25 for the ATO to continue to oversee and operate the secure eInvoicing network.

KEY TAX DATES

Date	Obligation
21 May 2024	April 2024 monthly BAS due 2023–24 FBT return due
28 May 2024	March 2024 quarterly SG statement due
21 June 2024	May 2024 monthly BAS due
22 July 2024	June 2024 monthly BAS due
29 July 2024	June 2024 quarterly BAS due
	June 2024 quarterly PAYG instalment
14 Aug 2024	July 2024 monthly BAS due PAYG withholding annual report due if not reporting through STP
28 Aug 2024	June 2024 quarterly SG statement due Taxable payments report due

*The next business day as the due days (21 and 28 July) fall on a Sunday.

Note! Talk to the Team at Vlassis & Co to confirm the correct due dates for your own tax obligations. For example, you may have more time to lodge and pay if impacted by COVID-19 or a natural disaster.