

Federal Budget 2023-24

TaxBanter

9 May 2023

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Introduction

Building a better future¹

Global economy

Treasurer, Jim Chalmers' second Federal Budget is being handed down in the context of an uncertain and volatile global economy.²

The International Monetary Fund (IMF) forecasts the weakest period of global growth since 2001³, which reflects the tightening in monetary policies taken by central banks to bring down inflation, the fallout from the recent deterioration in financial conditions, the ongoing war in Ukraine and growing geoeconomic fragmentation.⁴

Australian economy

Inflation for the March 2023 quarter was 7.0 per cent, decreasing slightly from the previous quarter of 7.8 per cent —the highest in more than 30 years.⁵ The numbers indicate inflation peaked in December but remains significantly high, compared to the target rate of 2-3 per cent required by monetary policy.^{6 7}

The factors that contributed to the increase in inflation, albeit slightly easing, include:

- increase in price for goods and services — the supply chain disruptions from the global pandemic made it more expensive to import items and highlighted Australia's reliance on imports⁸
- increased energy prices due to the invasion of Ukraine and domestic factors, being the deterioration of the energy grid and lack of investment in renewable energy⁹
- increased rental prices as the population growth exceeded the supply of housing⁹
- volatility in the price of foods due to natural disasters which brought severe economic consequences and damage to agriculture and infrastructure.⁹

The cash rate is 3.85 per cent.¹⁰ The Reserve Bank of Australia (RBA) held the interest rate in April 2023 following 10 consecutive rate increases, to allow time to assess the impact on the economy to date. However, the RBA further increased the rate by 0.25 per cent in May 2023.

¹ Labor, [Our plan for a better future for all Australians](#), viewed 1 May 2023.

² Treasurer, Jim Chalmers, [Press Conference, Blue Room, Canberra](#), 17 April 2023.

³ Excluding the Global Financial Crisis and COVID.

⁴ IMF, [World Economic Outlook, A Rocky Recovery](#), April 2023.

⁵ Reserve Bank of Australia (RBA), [Statement of Monetary Policy](#), February 2023.

⁶ Treasurer, Jim Chalmers, Media Release, [New figures confirm inflation has passed its peak](#), 26 April 2023.

⁷ RBA, [Inflation Target](#), viewed 1 May 2023.

⁸ Prime Minister, Anthony Albanese, Speech, [Address to the National Press Club](#) on 22 February 2023.

⁹ Governor, RBA, Philip Lowe, Speech, [Address at the National Press Club](#), Sydney 5 April 2023.

¹⁰ As announced by the RBA on 2 May 2023.

Australia's gross debt is forecast to be \$1.159 trillion as at 30 June 2026 which is 43.1 per cent of GDP. The large increase is due to the government economic support packages in response to the global pandemic.¹¹

The global pandemic and government stimulus may have increased Government debt but the strong recovery in demand created jobs. The unemployment rate is 3.5 per cent¹², the lowest in nearly 50 years.⁵ As a result:

- there is an increased participation rate — a greater share of working-age Australians have a job
- the youth labour force has a high participation rate and low unemployment rate
- female labour force participation is at a record high.¹³
- Australia's banking system is well regulated, has a strong capital position and liquidity reserves, which insulated Australia from the impact of the overseas banking stress.⁹ APRA Chair John Lonsdale said:

'Australians can be confident of two things: their banking system is among the strongest and most resilient in the world, with prudential safeguards above and beyond minimum international requirements.'¹⁴

- It is anticipated Government revenue will vary from previous forecasts as:
- commodity price assumptions will be revised based on guidance from Treasury, this will directly impact nominal GDP and Government tax revenue
- higher commodity prices and lower unemployment will impact revenue forecasts.²
- Treasurer, Jim Chalmers said:

'The best antidote to the global economic uncertainty is a Budget that represents responsible economic management.'²

► Cost of living

High inflation has increased the cost of living. Australian households are paying more to purchase the same goods and services, resulting in cash flow pressures.

The higher cost of living is felt unevenly across the nation. Factors such as the level of household income, whether you rent, if you are a homeowner with a variable loan, a recipient of welfare, whether the majority of your income is spent to cover essential items as opposed to discretionary spending and if you have a savings buffer — will cumulatively determine the additional pressures inflation will have on each household budget.¹⁵ Generally, increased cost of living has a greater impact on households with a constrained budget, such as low-income earners, welfare recipients and renters.

In addition, as a proportion of the population's cost of living has increased significantly without a corresponding increase in disposable income, real incomes have declined overall.¹⁵ With the same money households can purchase fewer goods and services.

¹¹ Parliament of Australia, [Australian Government debt, Budget Review October 2022–23 Index](#), viewed 3 May 2023.

¹² As at 31 December 2022.

¹³ Governor, RBA, Philip Lowe, Speech, [Keynote Address to the Financial Review Business Summit 2023](#), Sydney 8 March 2023.

¹⁴ APRA Chair, John Lonsdale, [Speech to AFR Banking Summit 2023](#), 28 March 2023.

¹⁵ Head of Economic Analysis Department, Marion Kohler, Deputy Head of Economic Analysis Department, Tom Rosewall, Speech, [Opening Statement to the Senate Selection Committee on the Cost of Living](#), Sydney, 1 February 2023.

► Challenges facing businesses

- The *Statement of Monetary Policy* issued by the RBA for February 2023 reported on how the economic situation was impacting business. A couple of the observations include:
- businesses are reviewing investment plans due to concern in securing machinery, equipment, and labour, even though the global supply chains have improved
- the cost of debt has increased in line with the increase in cash rate; finance remains readily available
- construction firms have faced ongoing margin pressures as a result of fixed-price contracts written before the increase in input and labour costs, contributing to the large portion of recent company insolvencies.⁵
- Further the RBA has indicated that the outlook for business investment remains reasonably positive, with many firms operating at a high level of capacity utilisation.¹⁶ Job vacancies remain at a very high level, although some firms report that it has been less difficult to find workers recently than it was a few months back.¹⁶

Stability, confidence and security

- Prime Minister— Anthony Albanese stated⁸:

‘The measure of a government’s performance and a nation’s strength is not whether these events occur. It’s whether we are prepared. It’s how effectively we respond. It’s what we do to protect our people and our economy from the worst of the consequences. It’s also what we learn. And it’s how we adapt and reform and improve. This is at the heart of our government’s agenda for the year ahead.’

The Government indicates it wants to provide stability, confidence and security — greater security in our nation, greater confidence in our economy and greater stability in people’s daily lives.⁸

National security

The Government’s priority is to ensure that Defence has the resources¹⁷ it needs to defend the nation and deter potential aggressors. National security includes cyber capability and Australia’s international engagement with Pacific neighbours to build a more secure, peaceful and prosperous region. It is anticipated if this is achieved it will unlock opportunities for Australian companies to partner with the fastest-growing economies in the world.

‘National security demands a whole-of-nation effort.’¹⁷

‘It also presents a whole-of-nation opportunity: for new jobs, new industries and new expertise in science and technology and cyber.’ — Prime Minister⁸

¹⁶ Governor, RBA, Philip Lowe, Speech [Opening Statement to the House of Representatives Standing Committee on Economics](#), 17 February 2023.

¹⁷ Australian Government Defence, [National Defence - Defence Strategic Review](#), 2023.

Future growth to boost economic security for business and industry

▶ Renewable energy superpower

The Government's plan for future growth of the economy is to make Australia a renewable energy superpower — make it a national economic strength — by powering industries to produce low-emissions products like green steel, green aluminium and green ammonia; and export clean energy, green hydrogen, critical minerals and value-added products.⁸

As a first step, Australia upgraded its national emissions reduction target to 43 per cent by 2030¹⁸, and the Safeguard Mechanism¹⁹ requires businesses to adopt smarter practices to cut their greenhouse gas emissions.

It is anticipated that cleaner, cheaper, more reliable and increasingly renewable energy will create industries, support current industries, drive advanced manufacturing and create jobs. If the public and private sectors work together they could achieve the desired growth and generate more opportunities for people. It is the Government's role to deploy public finances in areas that deliver value for money. The initiatives to date include:

- grow and create industries — \$15 billion National Reconstruction Fund²⁰; Rewiring the Nation program²¹; National Electric Vehicle Strategy²²
- skilling of Australians for future jobs — Job and Skills Australia (JSA)²³; New Energy Apprenticeships program²⁴; fee-free TAFE places²⁵
- Energy Price Relief Plan — delivering targeted relief to small businesses and manufacturers.²⁶
- As a package, the Government anticipates the initiatives will support businesses to develop expertise in the priority areas²⁷ and provide support to train employees to undertake the work.⁸ The overall objective is to make more things in Australia and make us more self-reliant as a Nation.⁸

¹⁸ On 13 September 2022, the *Climate Change (Consequential Amendments) Bill 2022*, received Royal Assent as Act No. 38 of 2022.

¹⁹ On 11 April 2023, the *Safeguard Mechanism (Crediting) Amendment Bill 2023*, received Royal Assent as Act. No. 14 of 2023.

²⁰ On 11 April 2023, the *National Reconstruction Fund Corporation Bill 2023* received Royal Assent as Act No. 12 of 2023. It is an investment in Australia's manufacturing capacity, by supporting industries and creating jobs.

²¹ Prime Minister, Anthony Albanese, Media Release, [Rewiring the nation to supercharge Victorian renewable](#), 19 October 2022. '... new energy industries, delivering cleaner, cheaper and more secure energy, bringing down emissions.'

²² Australian Government, [National Electric Vehicle Strategy](#), *Increasing the uptake of EVs to reduce our emissions and improve the wellbeing of Australians*, 2023.

²³ JSA will identify current, emerging and future labour market and workforce skills and training needs.

²⁴ Minister for Skills and Training, Brendan O'Connor, Media Release, [New Energy Apprenticeships to power Australia's path to net zero](#), 20 February 2023. Provides financial support for 10,000 new apprenticeships specifically targeted at the growing demand for skilled workers in the renewables sector.

²⁵ Measure announced 2022–23 October Budget. The agreement commenced on 1 January 2023 and will deliver 180,000 fee-free TAFE and community-based vocational education places throughout 2023.

²⁶ Prime Minister, Anthony Albanese, Media Release, [Energy Price Relief Plan](#), 9 December 2022.

²⁷ The current priority areas include renewables and low emission techniques; medical science; transport; value-adding in agriculture, forestry and fisheries; value-adding in resources; defence capability; technologies that support new jobs in areas like manufacturing.

▶ Lifting Australia's Productivity

History shows that growth in income and living standards will be driven from productivity growth.

Australia is facing a slowdown in the rate of productivity growth. Over the decade to 2020, average annual labour productivity growth in Australia was the slowest in 60 years, falling to just 1.1 per cent compared with 1.8 per cent over the 60 years to 2019–20.²⁸

Future productivity growth in Australia relies crucially on getting better productivity across the services sector. Services are labour intensive, delivered in person, bespoke and difficult to mass produce. Services make up 80 per cent of the economy and 90 per cent of the workforce.

The Productivity Commission's Five-Year Productivity inquiry indicated reforms are required to:

1. build an adaptable workforce to supply the skilled workers for Australia's future economy
2. harness data, digital technology and diffusion innovation to capture the dividend of new ideas
3. create a more dynamic economy through fostering competition, efficiency and contestability in markets
4. lift productivity in the non-market sector to deliver high quality services at the lowest cost
5. secure net-zero at least cost to limit the productivity impact caused by climate change.²⁸

On receiving the report, the Treasurer indicated the Government is taking the productivity challenge seriously and has already started to work towards implementing measures that address the five themes, albeit not the exact recommendations.²⁹

Australian Chamber of Commerce and Industry CEO Andrew McKellar said³⁰:

'Australia needs to get back on a path of strong productivity growth to sustain a high level of economic activity over the long term. We need to be doing much better than what has been the case for the past 20 years... Tax reform is fundamental. Australian businesses need a tax system that delivers the right mix of incentives that will make them globally competitive, stimulate investment in research and development, and support them in becoming more efficient and productive'.

The budget and the tax system should be used together to boost the economy, lift productivity and improve living standards.³¹

²⁸ Australian Government, Productivity Commission, [5-year Productivity Inquiry: Advancing Prosperity](#), 7 February 2023.

²⁹ Treasurer, Jim Chalmers, Media Release, [Productivity Commission 5-year inquiry](#), 17 March 2023.

³⁰ Australian Chamber of Commerce and Industry, Media Release, [Productivity Commission highlights future challenges to Australian standard of living](#), 17 March 2023.

³¹ Economic Editor, John Kenoe, Australians need Chalmers to be more ambitious, Australian Financial Review, 23 March 2023.

Security for people in their daily lives

▶ Cost of living relief

- The Government aims to provide greater stability in people's daily lives by helping with the cost of living and managing inflation.
- The measures implemented to date to assist with the cost of living relief include; cheaper childcare³², cheaper medicine³³, fee-free TAFE²⁵, and energy price relief for households.³⁴
- The initiatives to grow the economy will also support the people, repairing the supply chain will create jobs for Australians and the JSA will assist in skilling Australians for the jobs of the future.
- The economy works better if people have good jobs and fair wages. It was identified that the current rate of income support, such as JobSeeker, Youth Allowance and working age payment are seriously inadequate and people on those payments face the highest level of financial stress.³⁵ The Treasurer indicated he wants to provide opportunities to move people off JobSeeker payments and into good, secure, well paid jobs — with job security, job creation and wages growth being a high priority.³⁶

▶ Quality, reliable and affordable services

To feel secure people need access to quality, reliable and affordable services. Initiatives to support this include:

- strengthening healthcare to make it more accessible and affordable — Urgent Care Clinics, NDIS, Strengthen Medicare Taskforce Report³⁷
- increasing the workforce participation rate by providing affordable childcare to boost productivity
- comprehensive federal housing to ensure every Australian has the security of a roof over their head³⁸ — including National Housing Accord, Housing Australia Future Fund³⁹, Housing Supply and Affordability Council⁴⁰, Regional First Home Buyer Guarantee.

³² On 29 November 2022, *Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022*, received Royal Assent as Act No. 66 of 2022. It makes childcare more affordable by increasing the childcare subsidy from 1 July 2023.

³³ On 9 November 2022, *National Health Amendment (General Co-payment) Bill 2022*, received Royal Assent as Act No. 53 of 2022. It makes medication cheaper for Australians.

³⁴ On 16 December 2022, *Treasury Laws Amendment (Energy Price Relief Plan) Bill 2022* received Royal Assent as Act No. 96 of 2022. It includes initiatives to protect households from impacts of predicted energy price spikes.

³⁵ Commonwealth of Australia, [Interim Economic Inclusion Advisory Committee, 2023–4 Report to the Australian Government](#), 2023.

³⁶ Treasurer, Jim Chalmers, [Press Conference, Sydney](#), 26 April 2023.

³⁷ Australian Government, [Strengthening Medicare Taskforce Report](#), December 2023. The Report sets out a recommended pathway for significant reforms to strengthen Medicare and rebuild general practice.

³⁸ Australian Government, NHFIC, [Support to buy a home](#), accessed 4 May 2023.

³⁹ *Housing Australia Future Fund Bill 2023*, before the Senate.

⁴⁰ *National Housing Supply and Affordability Council Bill 2023*, before the Senate.

▶ Other initiatives

- The Government is creating a more secure future for people by:
- Creating an economy that promotes the full, equal and respectful participation of women, including Paid Family and Domestic Violence (FDV) Leave,⁴¹ paid parental leave extension and increased flexibility, implementation of all 55 Respect@Work recommendations⁴²
- Voice — aims to recognise Indigenous Australians in the Constitution and create a body that may give advice on matters that affect Aboriginal and Torres Strait Islander people⁴³
- National Anti-Corruption Commission⁴⁴ — aims to restore integrity, honesty and accountability to the government
- Measuring what matters statement — Australia’s first national framework on wellbeing will assess progress on a broad range of social and environmental indicators⁴⁵
- Economic Inclusion Advisory Committee report — aims to provide advice on policies to address disadvantage and boost economic participation
- Review of the RBA — external review of the central bank to ensure the RBA has the best frameworks, objectives, processes and expertise.

⁴¹ On 9 November 2022, *Fair Work Amendment (Paid Family and Domestic Violence Leave) Bill 2022*, received Royal Assent as Act No 50 of 2022. Provides employees with 10 days paid family and domestic violence leave.

⁴² On 12 December 2022, *Anti-Discrimination and Human Rights Legislation Amendment (Respect at Work) Bill 2022* received Royal Assent as Act No. 85 of 2022.

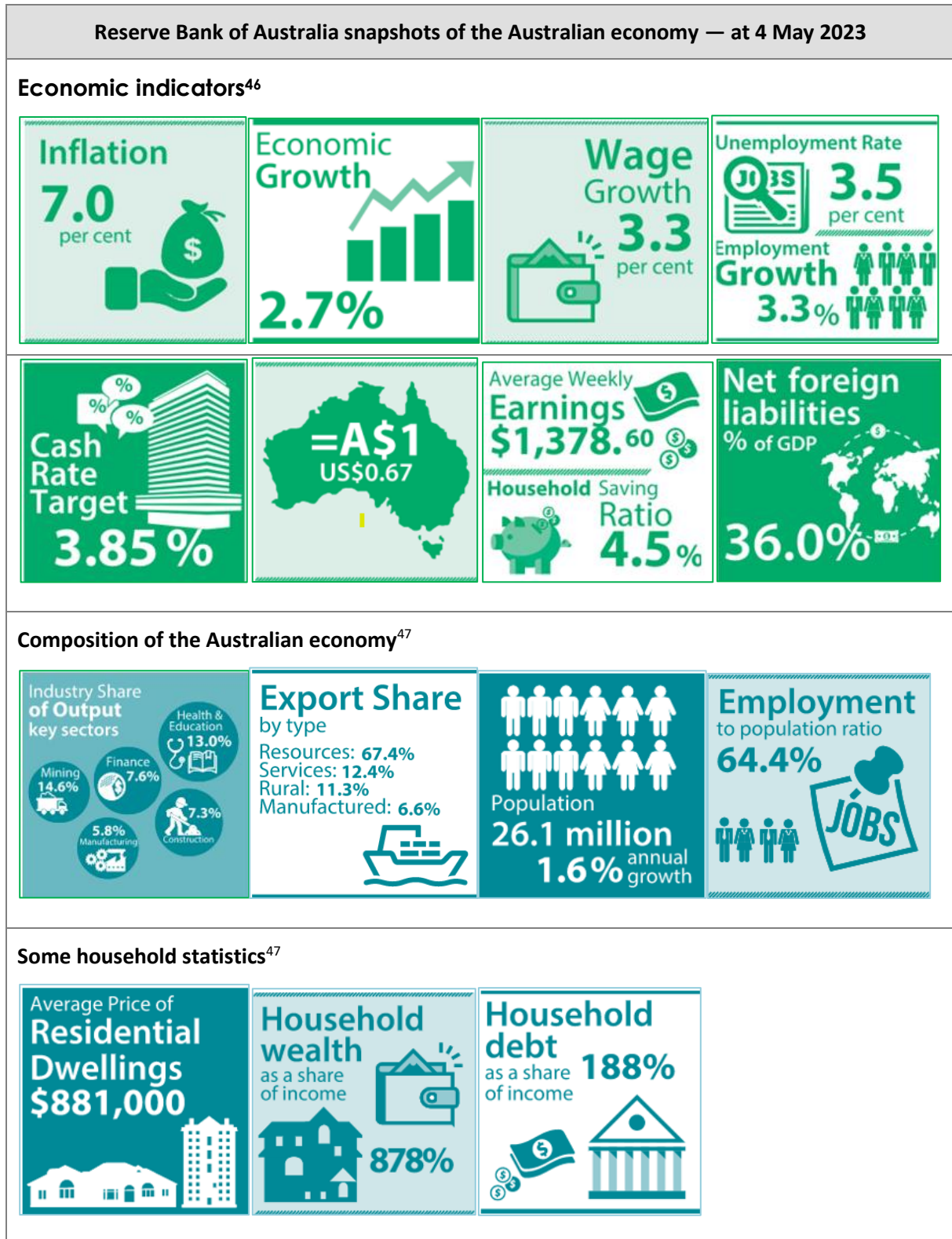
⁴³ Prime Minister, Anthony Albanese, [Press Conference – Parliament House](#), Canberra, 29 March 2023.

⁴⁴ On 12 December 2022, *the National Anti-Corruption Commission Bill 2022* received Royal Assent as Act No. 88 of 2022.

⁴⁵ Measuring what matters — second consultation process, aims to consult Australians to identify the key themes to include in the report.

RBA snapshots of the economic landscape

At 4 May 2023



⁴⁶ RBA, [Key Economic Indicators Snapshot](#), latest available as at 4 May 2023, viewed 4 May 2023.

⁴⁷ RBA, [Composition of the Australian Economy Snapshot](#), latest available as at 4 May 2023, viewed 4 May 2023.

Key information leading up to the 2023–24 Federal Budget

	\$billion ⁴⁸	Forecasts ⁴⁸ (\$billion)				
	Actual 2021–22	Budget 2022–23	Budget 2023–24	Budget 2024–25	Budget 2025–26	Budget 2026–27
Underlying cash position ⁴⁹	(\$32.0)	\$4.2	(\$13.9)	(\$35.1)	(\$36.6)	(\$28.5)
Economic growth						
Real GDP	3.7%	3.25%	1.5%	2.25%	2.75%	2.75%
Nominal GDP	11.0%	10.25%	1.25%	2.5%	5.25%	5.25%
Unemployment rate	3.8%	3.5%	4.25%	4.5%	4.5%	4.25%
CPI — inflation	6.1%	6%	3.25%	2.75%	2.5%	2.5%
Net debt	515.6	548.6	574.9	620.6	665.2	702.9

Commitments in the 2022–23 October Federal Budget

The Government promised the Australian people it would not waste a single day and it has been focused on delivering an orderly implementation of policies announced in the 2022–23 October Federal Budget.

► Tax related measures

Received Royal Assent

Measure	Detail
Foreign acquisitions and takeovers penalties ⁵⁰	Doubles the maximum financial penalties for contraventions of provisions that relate only to residential land
Electric car discount ⁵¹	Exempts from FBT certain electric cars used by or made available to employees for private use

⁴⁸ Commonwealth of Australia, Budget 2023–24, Budget paper No. 1 at page 6-7.

⁴⁹ Underlying cash position — a reduction in the underlying cash balance means that the government must borrow more and as a consequence the interest cost on the higher public debt increases.

⁵⁰ On 5 December 2022, *Treasury Laws Amendment (2022 Measures No. 3) Bill 2022* received Royal Assent as Act No. 75 of 2022.

⁵¹ On 12 December 2022, *Treasury Laws Amendment (Electric Car Discount) Bill 2022* received Royal Assent as Act No. 86 of 2022.

Measure	Detail
Expanding eligibility for downsizer contributions ⁵²	Minimum age for downsizer contribution reduced from 60 to 55 years
Commonwealth penalty unit amount ⁵³	Increased the value of the Commonwealth penalty unit from \$222 to \$275, with effect from 1 January 2023

Before the Senate

Measure	Detail
Taxation treatment of digital currency ⁵⁴	Proposes to clarify that digital currencies (such as bitcoin) are not taxed as foreign currency
Off-market share buy-backs ⁵⁵	Proposes to align the tax treatment of off-market share buy-backs undertaken by listed public companies with the tax treatment of on-market share buy-backs
Australian–Iceland Tax Treaty ⁵⁶	Australia’s first tax treaty with Iceland, the Convention is to alleviate the double taxation that results from the interaction of the Australian and Icelandic tax systems

Exposure draft

Measure	Detail
Thin capitalisation — new earnings-based rules ⁵⁷	Proposes to strengthen the thin capitalisation rules to address risks to the domestic tax base arising from the use of excessive debt deductions, which amount to base erosion or profit shifting arrangements

⁵² On 12 December 2022, *Treasury Laws Amendment (2022 Measures No 2) Bill 2022* received Royal Assent as Act No. 84 of 2022.

⁵³ On 12 December 2022, *Crimes Amendment (Penalty Unit) Bill 2022* received Royal Assent as Act No. 82 of 2022.

⁵⁴ The Senate referred *the Treasury Laws Amendment (2022 Measures No. 4) Bill 2022* to the Economics Legislation Committee (ELC) for inquiry and report by 25 January 2023. The committee tabled a progress report seeking an extension of time to report.

⁵⁵ The Senate referred *Treasury Laws Amendment (2023 Measures No. 1) Bill 2023* to the ELC for inquiry and report by 26 May 2023.

⁵⁶ The Senate referred the *Treasury Laws Amendment (Refining and Improving Our Tax System) Bill 2023* to the ELC for inquiry and report by 28 April 2023. On 6 April 2023, the Committee tabled a progress report seeking an extension.

⁵⁷ On 16 March 2023, Government released for comment exposure draft legislation titled *Treasury Laws Amendment (Measures for Future Bills) Bill 2023: Thin capitalisation interest limitation*.

Measure	Detail
Denying deductions for payments relating to intangible assets connected with low corporate tax jurisdictions ⁵⁸	An anti-avoidance measure to prevent large multinationals from claiming tax deductions for payments relating to intangibles connected with low corporate tax jurisdictions
Multinational tax transparency reporting ⁵⁹	Proposes a transparency measure requiring certain large multinational entities to prepare for public release certain tax information on a country-by-country (CBC) basis

Consultation Process

Measure	Detail
Strengthening the ABN system ⁶⁰	Proposes to reform and strengthen ABN system to target misuse, enhance the quality of ABN data, and improve ABN holder engagement and compliance
Abolish the Administrative Appeals Tribunal (AAT) ⁶¹	The reform will abolish the AAT and establish a new federal administrative review body — consultation closed 12 May 2023

Previously announced measures

The Government has re-introduced into Parliament tax measures announced by the former Government that had bipartisan support; and for other measures the Government supports, consultation processes have commenced. However, it is worth noting that:

- the increase to the low and middle-income tax offset (LMITO) which was set to cease from 1 July 2023 will not be extended. This decision was made by the former Government.
- Stage 3 tax cuts legislated by the former Government will commence on 1 July 2024.

⁵⁸ On 31 March 2023, the Government released for comment exposure draft legislation titled *Treasury Laws Amendment (Measures for Consultation) Bill 2023: Deductions for payments relating to intangible assets connected with low corporate tax jurisdictions* and accompanying explanatory materials.

⁵⁹ On 6 April 2023, the Government released for comment exposure draft legislation titled *Treasury Laws Amendment (Measures for Future Bills) Bill 2023: Multinational tax transparency — Tax changes*.

⁶⁰ Consultation on Draft Legislation *Treasury Laws Amendment (Measures 3 for Consultation) Bill 2022: Strengthening the ABN system* closed on 29 November 2022.

⁶¹ Australian Government, Attorney-General's Department, [Administrative Review Reform Issues Paper](#), viewed 3 May 2023.

► Received Royal Assent

Measure	Detail
Taxation of Indian residents providing technical services ⁶²	Amends Australia's domestic taxation law to stop taxing income of Indian residents providing technical services remotely to Australian customers
Tax treatment for new or revised visa programs ⁵⁰	Reduces the tax rate on certain income earned by foreign resident workers participating in the Pacific Australia Labour Mobility scheme from marginal rates starting at 32.5 per cent to a flat 15 per cent
Assisting businesses to meet their record-keeping obligations ⁵²	Empowers the Commissioner to issue a tax-records education direction requiring an entity to complete an approved record-keeping course — as an alternative to administrative penalty
Sharing economy reporting regime ⁵²	Requires electronic platform operators to provide information on transactions made through the platform to the ATO ⁶³
Removing the self-education expenses threshold ⁵²	Removal of the non-deductible threshold for work-related self-education expenses ⁶⁴
Tribunal powers for small business tax decisions ⁵²	Provides small business entities with a cheaper, faster and simpler way to pause the effects of a decision to recover a tax debt during merits review of the decision as compared to applying to a court

► Before the Senate

Measure	Detail
Digital games tax offset ⁵⁴	Proposes a refundable tax offset in relation to eligible expenditure incurred in the development of digital games ⁶⁵ .
Record keeping for FBT ⁵⁴	Proposes to reduce and simplify FBT record keeping requirements for employers while producing similar compliance outcomes with lower compliance costs

⁶² On 23 November 2022, the *Treasury Laws Amendment (Australia-India Economic Cooperation and Trade Agreement Implementation) Bill 2022* received Royal Assent as Act No. 60 of 2022.

⁶³ The measure was announced by the former Government as part of the 2019–20 Mid-Year Economic and Fiscal Outlook (MYEFO).

⁶⁴ The measure was announced by the former Government as part of the 2021–22 Budget.

⁶⁵ The measure was announced by the former Government in the 2021–22 Budget and expanded in the 2021–22 MYEFO.

Measure	Detail
Skills and training boost ⁵⁴	Proposes to provide small businesses — with aggregated annual turnover of less than \$50 million — with access to a bonus deduction equal to 20 per cent of eligible expenditure for external training provided to their employees ⁶⁶
Technology investment boost ⁵⁴	Proposes to provide small businesses — with aggregated annual turnover of less than \$50 million — with access to a bonus deduction equal to 20 per cent of their eligible expenditure on expenses and depreciating assets for the purposes of their digital operations or digitising their operations
Taxation of military superannuation benefits ⁵⁴	Amends various tax laws to confirm the tax treatment of certain superannuation benefits paid to veterans following the Full Federal Court decision in <i>FCT v Douglas</i>
Franked distributions funded by capital raisings ⁵⁵	Proposes to prevent certain distributions that are funded by capital raising from being frankable ⁶⁷
Treatment of certain subsidiaries of the Future Fund Board ⁵⁶	Proposes to extend the income tax treatment that applies to the Future Fund Board to its 100 per cent subsidiaries incorporated in Australia ⁶⁸
Aligning excise and customs reporting with other indirect taxes ⁵⁶	Proposes to amend excise on fuel and alcohol ⁶⁶ . Enables businesses to align their excise returns and customs returns with the return period for indirect taxes which are separately lodged through a business activity statement
DGR registers reform ⁵⁶	Proposes to transfer administration of four unique DGR categories from other government agencies to the Commissioner ⁶⁹

⁶⁶ The measure was announced by the former Government as part of the 2022–23 March Budget.

⁶⁷ The measure was initially announced as part of the 2016–17 MYEFO. The ED initially proposed retrospective application; however, the draft Bill proposes application to distributions made on or after 15 September 2022.

⁶⁸ The measure was announced by the former Government as part of the 2022–23 March Budget.

⁶⁹ The measure was from the 2017–18 MYEFO.

► Consultation process

Measure	Detail
Australian Carbon Credit Units (ACCUs) for primary producers ⁷⁰	Proposed changes to provide concessional tax treatment to certain primary producers that generate revenue from the sale of ACCUs ⁶⁸

► Other measures

The status of the following measures is unknown; technical amendments to the TOFA rules; relaxing of residency requirements for SMSFs;⁷¹ digitising trust income reporting and processing; modernising PAYG instalment systems.⁷²

What we already know

- The key tax and superannuation Budget measures which the Government has confirmed ahead of Budget night, include:
- Superannuation balances over \$3 million subject to additional 15 per cent tax rate from 2025–26 — the concessional tax rate applied to future earnings from superannuation for balances above \$3 million will be 30 per cent.⁷³
- Housing affordability — incentives to increase the supply of rental housing by changing arrangements for investments in built-to-rent accommodation:
 - increasing the depreciation rate from 2.5 per cent to 4 per cent per year for eligible new build-to-rent projects where construction commences after 9 May 2023 and
 - reducing the withholding tax rate for eligible fund payments from managed investment trusts to foreign residents on income from newly constructed residential build-to-rent properties after 1 July 2024 from 30 to 15 per cent, subject to further consultation on eligibility criteria.⁷⁴
- Small Business Energy Incentive — a bonus tax deduction will provide businesses with annual turnover of less than \$50 million an additional 20 per cent deduction on spending that supports electrification and more efficient use of energy.⁷⁵
- Payday super — From 1 July 2026, employers will be required to pay their employees' superannuation at the same time as their salary and wages.⁷⁶

⁷⁰ Consultation on Draft Legislation *Treasury Laws Amendment (Measures 3 for Future Bills) Bill 2023: Tax accounting for primary producer registered emissions units* closed on 17 March 2023.

⁷¹ The October 2022–23 Federal Budget indicated the Government would defer the start date of these legacy measures to allow sufficient time for policies to be legislated and implemented.

⁷² Due to commence from 1 January 2024, however no further details available.

⁷³ Treasurer, Jim Chalmers, Joint Media release, [Superannuation tax breaks](#), 28 February 2023.

⁷⁴ Prime Minister, Anthony Albanese, Media Release, [Meeting of the National cabinet](#), 28 April 2023.

⁷⁵ Treasurer, Jim Chalmers, Joint media release, [Small Business Energy Incentive](#), 30 April 2023.

⁷⁶ Treasurer, Jim Chalmers Media release [Introducing payday super](#), 2 May 2023.

- Tax on tobacco will be increased by five per cent per year for three years in addition to normal indexation.⁷⁷
- Changes to the Petroleum Resource Rent Tax (PRRT) — to limit the proportion of PRRT assessable income that can be offset by deductions to 90 per cent.⁷⁸

⁷⁷ Minister for Health and Aged Care, Media Release, [Taking action on smoking and vaping](#), 2 May 2023.

⁷⁸ Treasurer, Jim Chalmers, Media Release, [Changes to the Petroleum Resource Rent Tax](#), 7 May 2023.

Federal Budget summary

Measures and start dates at a glance

Budget measure	Application date
General	
<p>Amending measures of the former Government:</p> <ul style="list-style-type: none"> Amend the non-arm's length income (NALI) provisions which apply to expenditure incurred by superannuation funds Three previously announced patent box measures — not proceeding <p>Deferring the start dates for:</p> <ul style="list-style-type: none"> franked distributions funded by capital raisings some components of streamlining excise administration for fuel and alcohol. 	<p>15 September 2022</p> <p>1 July 2024</p>
Individuals	
Increasing the Medicare levy low-income thresholds	From 1 July 2022
Eligible lump sum payments in arrears — exempt from the Medicare Levy	1 July 2024
Businesses	
Instant asset write-off threshold temporarily increased to \$20,000.	From 1 July 2023 until 30 June 2024
Small business energy incentive — provide eligible businesses with a bonus tax deduction on spending to support electrification and more efficient use of energy.	Eligible assets or upgrades first used or installed ready for use between 1 July 2023 and 30 June 2024
<p>Incentives for investments in build-to-rent projects:</p> <ul style="list-style-type: none"> increase to the capital works tax deduction from 2.5 per cent to 4 per cent per year reduction to the withholding tax rate from 30 to 15 per cent for eligible fund payments from managed investment trusts to foreign residents 	<p>For construction commencing after 7:30 pm (AEST) on 9 May 2023</p> <p>Reduced withholding rate from 1 July 2024</p>
Varying the GDP uplift factor for PAYG and GST instalments	Applies to PAYG and GST instalments for the 2023–24 income year that fall due after enabling legislation receives Royal Assent

Budget measure	Application date
Trusts	
Clean building managed investment trust (MIT) withholding tax concession to data centres and warehouses — extended with raised minimum energy efficiency requirements	From 1 July 2025, for eligible data centres and warehouses where construction commences after 7:30pm on 9 May 2023
International	
Implement key aspects of Pillar Two of the OECD/G20 Two-Pillar Solution, being: <ul style="list-style-type: none"> ▪ a 15 per cent global minimum tax for large multinational enterprises ▪ a 15 per cent domestic minimum tax 	Income years starting on or after 1 January 2024 for the Income Inclusion Rule and domestic minimum tax Income years starting on or after 1 January 2025 for the Undertaxed Profits Rule
Fringe Benefits Tax	
Electric car discount amendment — from 1 April 2025, plug-in hybrid electric vehicles will cease to be eligible for the electric car FBT exemption	Relevant benefits provided on or after 1 April 2025
Superannuation	
Future earnings from superannuation for individuals with total superannuation balances above \$3 million will be subject to an additional 15 per cent tax.	1 July 2025
Employers will be required to pay their employees' superannuation guarantee (SG) on the same day that they pay salary and wages	1 July 2026
Compliance	
Expanding the general anti-avoidance rule for income tax in Part IVA of the <i>ITAA 1936</i>	Income years commencing on or after 1 July 2024
Lower the tax administration burden for small businesses - ATO funding to implement various initiatives	Various dates
ATO engagement with businesses to address the growth of tax and superannuation liabilities	Funding from 1 July 2023
Extending and merging the Serious Financial Crime Taskforce and Serious Organised Crime program	Funding over four years to 30 June 2027
Reduced compliance costs for general insurers	Income years commencing on or after 1 January 2023

Budget measure	Application date
Extend the Personal Income Tax Compliance Program Expand its scope to address emerging areas of risk	Two years from 1 July 2025 From 1 July 2023
ATO funding to continue a range of GST compliance activities	Over four years from 1 July 2023
Establishment of a new federal administrative review body in place of the AAT	Funding from 1 July 2023
Other taxes	
Petroleum Resources Rent Tax (PRRT) legislation amended to clarify <ul style="list-style-type: none"> ▪ ‘exploration for petroleum’ and ▪ ‘mining, quarrying and prospecting rights’ (MQPRs) 	Expenditure from 21 August 2013 MQPRs acquired or started to be used after 7.30 pm (AEST) on 9 May 2023.
PRRT — cap on PRRT deductions	From 1 July 2023
Heavy Vehicle Road User Charge will increase from 27.2 to 32.4 cents per litre by 2025-26, increasing 6 cents per year	For the 2023–24 to 2025–26 income years
Tobacco Excise —increase in tobacco excise for three years and align the tax treatment of stick and non-stick tobacco	1 September 2023
Related laws	
Additional funding: <ul style="list-style-type: none"> ▪ ATO to enable increased disclosure Australian Charities and Not-for-profits Commission’s (ACNC) regulatory activities ▪ to establish a public registry of beneficial ownership of companies and other legal vehicles, including trusts 	Additional funding from 2023–24
Women’s budget statement — various measures that focus on the four priorities	Various
Foreign investment – interfunding exemption	Royal Assent of amending legislation
Strengthen Australia’s anti-money laundering framework, including additional funding for AUSTRAC — increased funding	From 1 July 2023

Budget measures

General

▶ 2023-24 Federal Budget - Institutional reform to Australia's system of Federal administrative review - Replacing the AAT

KEY POINTS

- The Government has announced that it will provide \$89.5 million over five years from 2022-23 (and \$1.5 million per year ongoing) to support the establishment of a new federal administrative review body in place of the Administrative Appeals Tribunal.

Background

On 16 December 2022, the Attorney-General's Department announced the Government's decision to reform Australia's system of administrative review. This reform will abolish the Administrative Appeals Tribunal (AAT) and replace it with a new federal administrative review body.

An Issues Paper was released seeking views on the development of a new federal administrative review body.⁷⁹

Announcement

As part of the 2023–24 Federal Budget, the Government announced that it will provide \$89.5 million over five years from 2022–23 (and \$1.5 million per year ongoing) to support the establishment of a new federal administrative review body in place of the AAT.

The funding includes:

- \$63.4 million over two years from 2023–24 to appoint additional full-time members to address the backlog of AAT cases
- \$14.4 million over five years from 2022–23 (and \$1.5 million per year ongoing) for the Attorney-General's Department to manage the transition to the new administrative review body
- \$11.7 million over two years from 2022–23 to develop a modern case-management system for the new administrative review body.

Source: Budget Paper No. 2 page 61

⁷⁹ Australian Government, Attorney-General's Department, *Administrative Review Issues Paper*, Consultation closed on 12 May 2023

Individuals

► 2023-24 Federal Budget - Exempting lump sum payments in arrears from the Medicare levy

KEY POINTS	
■	The Government has announced that it will exempt eligible lump sum payments in arrears from the Medicare levy from 1 July 2024.
■	Eligible taxpayers must: <ul style="list-style-type: none">■ be eligible for a reduction in the Medicare levy in the two most recent years to which the lump sum accrues■ satisfy the existing eligibility requirements for the existing lump sum payment in arrears tax offset.

As part of the 2023–24 Federal Budget, the Government announced that it will exempt eligible lump sum payments in arrears from the Medicare levy from **1 July 2024**.

START DATE

1 July 2024

This measure will ensure low-income taxpayers do not pay higher amounts of the Medicare levy as a result of receiving an eligible lump sum payments, e.g. as compensation for underpaid wages.

Eligibility requirements will ensure that the relief is targeted to taxpayer who are genuinely low-income and should be eligible for a reduced Medicare levy. To qualify, taxpayers must:

- be eligible for a reduction in the Medicare levy in the two most recent years to which the lump sum accrues
- satisfy the existing eligibility requirements for the existing lump sum payment in arrears tax offset, including that a lump sum accounts for at least 10 per cent of the taxpayer's income in the year of receipt.

Source: Budget Paper No. 2 page 22

► 2023-24 Federal Budget - Increasing the Medicare levy low-income thresholds

KEY POINTS	
■	The Government has announced that the Medicare levy low-income thresholds will be increased for singles, families, and seniors and pensioners from 1 July 2022.
■	The effect of this change is to take account of recent CPI movements so that low-income taxpayers generally continue to be exempt from paying the Medicare levy.

As part of the 2023–24 Federal Budget, the Government announced that the Medicare levy low-income thresholds will be increased for singles, families, and seniors and pensioners from 1 July 2022. Individuals and families will not have to pay the Medicare levy if their individual or family taxable income is below the low-income threshold.

START DATE

From 1 July 2022

Medicare low income threshold changes

The changes to the Medicare levy low-income thresholds are as follows:

Medicare low-income threshold	Threshold as at 30 June 2022	Threshold from 1 July 2022
Singles	\$23,365	\$24,276
Families	\$39,402	\$40,939
Single – seniors and pensioners	\$36,925	\$38,365
Family – seniors and pensioners	\$51,401	\$53,406
Family – for each dependent child or student ⁸⁰	\$3,619	\$3,760

The increases to the thresholds take account of recent movements in the CPI so that low-income taxpayers generally continue to be exempt from paying the Medicare levy.

Source: Budget Paper No. 2 page 22

Businesses

► 2023-24 Federal Budget - \$20,000 instant asset write-off

KEY POINTS
<ul style="list-style-type: none">▪ The Government has announced that it will temporarily increase the instant asset write-off threshold to \$20,000.▪ The increase will apply from 1 July 2023 until 30 June 2024.▪ Assets costing \$20,000 or more can be allocated to the small business depreciation pool.▪ The lock-out rule will also be suspended until 30 June 2024.

As part of the 2023–24 Federal Budget, the Government announced that it will temporarily increase the instant asset write-off threshold to \$20,000.

START DATE

From 1 July 2023 until
30 June 2024

Background

A small business entity (SBE) can choose to use the small business capital allowance rules in Subdiv 328-D of the *ITAA 1997*. The rules allow:

- accelerated depreciation for SBE assets costing less than the prescribed threshold
- a taxpayer to effectively treat these assets as if they were a single asset using the one pool rate of 30 per cent (15 per cent in the income year in which the asset is acquired).

⁸⁰ For each dependent child or student, the family income threshold increases by the stated amount.

The prescribed threshold has varied over the past nine years and is currently uncapped as part of the temporary full expensing measures in place since 6 October 2020.

Under current law, the prescribed threshold for claiming an immediate deduction is due to revert to \$1,000 from 1 July 2023.



Reference

An entity is an SBE⁸¹ if:

- it carries on a business in the current year
- its aggregated turnover for either the previous income year and/or the current income year (actual or an estimate) is less than \$10 million.

Announcement

The Government will amend the tax law so that SBEs will 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 between 1 July 2023 and 30 June 2024.

As per the operation of Subdiv 328-D:

- the \$20,000 threshold will apply on a per asset basis
- assets valued at \$20,000 or more (which cannot be immediately deducted) will continue to be placed into the small business depreciation pool and depreciated at 15 per cent in the first income year and at 30 per cent each subsequent income year.

The lock-out rule that prevents small businesses from re-entering the small business capital allowance regime for five years if they opt-out will continue to be suspended until 30 June 2024.

Source: Budget Paper No. 2 page 27

► 2023-24 Federal Budget - Small Business Energy Incentive

KEY POINTS

- The Government has announced a small business energy incentive that will provide eligible businesses with a bonus tax deduction on spending to support electrification and more efficient use of energy.
- A business with an annual turnover of less than \$50 million will be able to access an additional 20 per cent deduction on eligible expenditure up to \$100,000 — with a maximum bonus deduction of \$20,000.
- Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024.

In the lead up to the 2023–24 Federal Budget, the Treasurer, Jim Chalmers announced on 30 April 2023 in a media release titled *Small Business Energy Incentive* that the Government would provide eligible small businesses with a bonus tax deduction on spending to support electrification and more efficient use of energy.

APPLICATION

Eligible assets or upgrades first used or installed ready for use between 1 July 2023 and 30 June 2024

⁸¹ As defined in s. 328-110 of the *ITAA 1997*.

Businesses with annual turnover of less than \$50 million will be able to access an additional 20 per cent deduction on eligible expenditure, which may include investments such as:

- heating and cooling systems
- upgrading to more efficient fridges and induction cooktops
- installing batteries and heat pumps.

Full details of eligibility criteria will be finalised in consultation with stakeholders.

Certain exclusions will apply such as electric vehicles, renewable electricity generation assets, capital works, and assets that are not connected to the electricity grid and use fossil fuels.

Up to \$100,000 of total expenditure will be eligible for the incentive, with the maximum bonus tax deduction being \$20,000 per business.

*Source: Budget Paper No. 2 page 28;
Budget Overview: pages 31 and 38; and
Treasurer's Media Release: Small Business Energy Incentive, dated 30 April 2023*

► 2023-24 Federal Budget - Tax incentives for build-to-rent housing

KEY POINTS	
■	The Government has announced the following incentives for investments in build-to-rent projects: <ul style="list-style-type: none">■ increase to the capital works tax deduction from 2.5 per cent to 4 per cent per year for eligible new build-to-rent projects where construction commences after 7:30 pm (AEST) on 9 May 2023■ reduction to the withholding tax rate from 30 to 15 per cent for eligible fund payments from managed investment trusts to foreign residents on income from newly constructed residential build-to-rent properties after 1 July 2024.

In the lead up to the 2023–24 Federal Budget, the Minister for Housing, Julie Collins, announced on 28 April 2023 that the Government would offer incentives to increase the supply of rental housing by changing arrangements for investments in built-to-rent housing.

The Government has announced that it will:

- increase the capital works tax deduction from 2.5 per cent to 4 per cent per year for eligible new build-to-rent projects where construction commences after 7.30 pm (AEST) on 9 May 2023
- reduce the withholding tax rate from 30 to 15 per cent for eligible fund payments from managed investment trusts to foreign residents on income from newly constructed residential build-to-rent properties after 1 July 2024, subject to further consultation on eligibility criteria, including any minimum proportion of dwellings being offered as affordable tenancies and the length of time dwellings must be retained under single ownership.

START DATE

Increased depreciation — for construction commencing after 7:30 pm (AEST) on 9 May 2023

Reduced withholding rate from 1 July 2024

*Source: Budget Paper No. 2 page 19;
Budget Overview: page 19 and*

Minister's Media Release: Billions to boost social and affordable rental homes, dated 28 April 2023

► 2023-24 Federal Budget - Varying the GDP uplift factor for PAYG and GST instalments

KEY POINTS

- The Government has announced that it will set the GDP uplift factor for pay as you go (PAYG) and GST instalments at six per cent in respect of instalments that relate to the 2023–24 income year and fall due after the enabling legislation receives Royal Assent.
- The six per cent GDP uplift rate — rather than the statutory 12 per cent — will apply to small to medium enterprises which have aggregated turnover of up to:
 - \$10 million — for GST instalments
 - \$50 million — for PAYG instalments.

Background

Each year the ATO adjusts GST and pay as you go (PAYG) instalment amounts using a formula known as the gross domestic product (GDP) adjustment. This is based on data published by the Australian Bureau of Statistics. In 2022–23 the GDP uplift factor for PAYG and GST instalments was temporarily set at two per cent.

START DATE

Applies to PAYG and GST instalments for the 2023–24 income year that fall due after enabling legislation receives Royal Assent

Announcement

The Government will amend the tax law to set the GDP adjustment factor for PAYG and GST instalments at **six per cent** for the 2023–24 income year — rather than the statutory 12 per cent.

The lower uplift rate will provide cash flow support to small businesses including sole traders and other individuals with investment income.

The six per cent GDP uplift rate will apply to small to medium enterprises eligible to use the relevant instalment methods, i.e. enterprises which have aggregated turnover of up to:

- \$10 million — for GST purposes
- \$50 million — for PAYG purposes.

Source: Budget Paper No. 2 page 27

Trusts

► 2023-24 Federal Budget - Extension of the clean building withholding tax concession for MITs

KEY POINTS

- The Government has announced that it will extend the clean building managed investment trust (MIT) withholding tax concession to data centres and warehouses.
- This measure will extend eligibility for the concession to data centres and warehouses that meet the relevant energy efficiency standard, where construction commences after 7:30 pm (AEST) on 9 May 2023.
- The Government will also raise the minimum energy efficiency requirements for existing and new clean buildings to a 6-star rating from the Green Building Council Australia or a 6-star rating under the National Australian Built Environment Rating System.
- These measures will apply from **1 July 2025**.

As part of the 2023–24 Federal Budget, the Government announced that it will extend the clean building managed investment trust (MIT) withholding tax concession to data centres and warehouses.

START DATE

From 1 July 2025, for eligible data centres and warehouses where construction commences after 7:30pm on 9 May 2023

Background

Under the current law a concessional withholding tax rate of 10 per cent applies to fund payments from eligible clean building MITs made to foreign residents in information exchange countries. That is, a MIT that holds only energy efficient commercial buildings constructed on or after 1 July 2012.

An MIT is a clean building MIT if it holds one or more clean buildings and it does not derive assessable income from any taxable Australian property other than from the clean buildings or assets that are reasonably incidental to those buildings.

Currently, a building is a clean building if:

- its construction commenced on or after 1 July 2012
- it is a commercial building that is an office building, hotel or shopping centre, or a combination of these
- it meets and continues to maintain at least a 5-star Green Star rating as certified by the Green Building Council of Australia or a 5.5-star energy rating as accredited by the National Australian Built Environment Rating System.

Extension of the clean building withholding tax concession for MITs

The Government will amend the Tax law to extend the clean building MIT withholding tax concession to eligible data centres and warehouses from 1 July 2025.

It will also raise the minimum energy efficiency requirements for existing and new clean buildings to a 6-star rating from the Green Building Council Australia or a 6-star rating under the National Australian Built Environment Rating System. The Government will consult on transitional arrangements for existing buildings.

Source: Budget Paper No. 2 page 18; and Budget Overview: page 31

Fringe Benefits Tax

► 2023-24 Federal Budget - Electric car discount amendment

KEY POINTS	
■	The Government has announced that from 1 April 2025, plug-in hybrid electric vehicles will cease to be eligible for the electric car FBT exemption.
■	The measure was included in the <i>Treasury Laws Amendment (Electric Car Discount) Act 2022</i> , which received Royal Assent on 12 December 2022.
■	Arrangements involving plug-in hybrid electric cars entered into between 1 July 2022 and 31 March 2025 remain eligible for the electric car discount.

As part of the 2023–24 Federal Budget, the Government announced that it will sunset the eligibility of plug-in hybrid electric cars from the electric car discount.

START DATE

Relevant benefits provided on or after 1 April 2025

Background

The electric car discount provides for a fringe benefits tax exemption for an eligible zero or low emissions vehicles, first held and used on or after 1 July 2022. The measure was introduced by the *Treasury Laws Amendment (Electric Car Discount) Act 2022*, which received Royal Assent on 12 December 2022.⁸² The Act incorporates this announcement.

Announcement

From 1 April 2025, plug-in hybrid electric vehicles are removed from the definition of zero or low emissions vehicle meaning that the electric car discount for plug-in hybrid electric vehicles will cease to apply to benefits provided on or after 1 April 2025.

Arrangements involving plug-in hybrid electric cars entered into between 1 July 2022 and 31 March 2025 remain eligible for the electric car discount.

Source: Budget Paper No. 2 page 25; and Treasury Laws Amendment (Electric Car Discount) Act 2022

⁸² As Act no. 86 of 2022.

Superannuation

► 2023-24 Federal Budget - Better targeted superannuation concessions

KEY POINTS	
■	The Government has announced that from the 2025–26 financial year, future earnings from superannuation for individuals with total superannuation balances above \$3 million will be subject to an additional 15 per cent tax.
■	The headline 30 per cent rate will apply only to the proportion of earnings corresponding to balances above \$3 million. This means that earnings corresponding to the balance up to \$3 million will continue to be taxed at 15 per cent or less.

In the lead up to the 2023–24 Federal Budget, the Treasurer, Jim Chalmers, announced on 28 February 2023 in a media release titled ‘Superannuation tax breaks’ that from the 2025–26 financial year, the concessional tax rate applied to future earnings from superannuation for balances above \$3 million will be 30 per cent.

START DATE

1 July 2025

Background

Generally, superannuation contributions are concessional tax at the flat rate of 15 per cent, no matter the individual’s total superannuation balance (TSB).

The Government released a consultation paper titled ‘Better targeted superannuation concessions’ on 31 March 2023, outlining the proposed model for identifying who will be affected, how the tax will be calculated and what the new rules mean for individuals and trustees of both SMSFs and APRA-regulated funds.

Reduced tax concessions for superannuation balances over \$3 million

The Government will amend the Tax law to reduce the superannuation tax concessions available to individuals whose TSB exceeds \$3 million, from **1 July 2025**. The intention is to increase the headline tax rate to **30 per cent** — up from the current 15 per cent — for earnings corresponding to the proportion of the individual’s TSB that exceeds \$3 million.

Who is in scope?

The \$3 million threshold⁸³ will apply to individuals of all ages, even if the individual is not eligible to access their superannuation benefits — i.e. they are under preservation age or under 65 and still working.

The threshold applies to individuals. It is not shared between spouses or family members, or between other individuals who have interests in the same fund, such as in an SMSF.

The measure commences on 1 July 2025, which means the first test date will be 30 June 2026.

If an individual has more than one superannuation account, their TSB represents the combined value of all accounts as at 30 June each year. Individuals can check their TSB through ATO online services which can be accessed via myGov.

⁸³ The consultation paper notes that the \$3 million threshold will not be indexed.

Example — Balance across multiple accounts more than \$3 million

Melanie is 62 and has three superannuation accounts with the following balances at 30 June 2026:

- a pension account in her SMSF with \$1 million
- a second pension account in her SMSF with \$700,000
- an accumulation account in an APRA-regulated fund with \$2 million.

Melanie’s total superannuation balance captures all of her superannuation accounts.

Her total superannuation balance on 30 June 2026 is \$3.7 million. As this is more than \$3 million Melanie will be required to pay additional tax.

The tax will only be applied to the earnings on her superannuation balance over \$3 million.

Melanie’s superannuation balance over \$3 million is \$700,000 (\$3.7 million – \$3 million). The earnings from \$700,000 will attract additional tax.

Example from the Consultation Paper

Method for calculating tax liability

Once it has been determined that an individual’s TSB exceeds the \$3 million threshold for a year, earnings relating to the part of their TSB over \$3 million will attract an additional 15 per cent tax.

Step	Method for calculating tax liability
1.	<p>Earnings in relation to an individual’s total superannuation interests are calculated as the difference between their TSB for the current year (adjusted for withdrawals and contributions) and their TSB from the previous financial year (FY).</p> $\text{Earnings} = (\text{TSB current FY} + \text{withdrawals} - \text{net contributions}) - \text{TSB previous FY}$ <p>If the calculated earnings in the first step are negative, this amount is carried forward and can be used to offset future earnings for this purpose. In this case, no further calculations would be required.</p>
2.	<p>Earnings are then attributed to superannuation balances of more than \$3 million on a proportional basis. The proportion is equal to the proportion of the TSB over \$3 million.</p> $\text{Proportion of earnings} = \frac{\text{TSB current FY} - \$3 \text{ million}}{\text{TSB current FY}}$
3.	<p>A flat tax rate of 15 per cent is applied to the proportion of earnings attributable to an individual’s balance over \$3 million.</p> $\text{Tax liability} = 15 \text{ per cent} \times \text{earnings} \times \text{proportion of earnings}$

Key components of the proposed earnings calculation

TSB — An individual’s TSB is the total value of accumulation phase and retirement phase interests plus in-transit rollovers and certain outstanding limited recourse borrowing arrangements (LRBA) less structured-settlement contributions. This is an existing calculation.

Withdrawals — This is intended to capture amounts which have been removed from superannuation and are not reflected in the closing TSB.

Net Contributions — This is intended to capture amounts that were added to superannuation and are reflected in the closing TSB, net of any contributions tax.

The proposed adjustments for withdrawals and contributions are to ensure changes in TSB reflect earnings generated inside superannuation.

- The addback of withdrawals is to ensure that a decrease in the TSB as a result of a withdrawal does not represent negative earnings generated inside superannuation.
- The subtraction of after-tax contributions is to ensure an increase in the closing TSB reflects positive earnings, not amounts an individual has contributed to their superannuation account during the year.



Note

Stakeholder views are being sought to determine whether modifications to the TSB are required for the purposes of calculating the earnings tax liability.

Earnings that are subject to the additional tax rate

The amount of earnings which correspond to an individual’s balance that exceeds \$3 million will be determined on a proportional basis. The proportion of earnings will be equal to the proportion of the individual’s TSB above \$3 million.

Example — Earnings that are taxed

Using the example of Carlos above, starting from a TSB of \$9 million, which grows to \$10 million, together with withdrawals of \$150,000, his total calculated earnings are \$1.15 million. The proportion of his earnings attributable to excess amounts above \$3 million are calculated using the following formula:

$$\text{Proportion of earnings} = \frac{\text{TSB current financial year} - \$3 \text{ million}}{\text{TSB current financial year}}$$

Using this calculation, the proportion of earnings attributed to his balance in excess of \$3 million is $(\$10 \text{ million} - \$3 \text{ million}) \div \$10 \text{ million} = 70 \text{ per cent}$.

Carlos’ earnings that are subject to tax at the higher rate are \$805,000 (70 per cent × \$1.15 million).⁸⁴

Example from the Consultation Paper

Negative earnings

Where the current TSB (after factoring in withdrawals and net contributions) is less than \$3 million, the current financial year’s TSB will be adjusted to equal \$3 million for the purposes of calculating earnings. This ensures that individuals who drop below the threshold are able to have negative earnings recognised for future years (in the event that their balance grows again to exceed the threshold).

Negative earnings can be applied against any future positive earnings, would not expire and could be applied over multiple years. Capital losses that are reflected in negative earnings can be used to offset any future positive earnings that relate to income, including rent and interest.

⁸⁴ Resulting in tax payable of \$120,750.

Example — Negative earnings

2025–26 financial year

Consider the alternative scenario where Carlos' TSB on 30 June 2026 falls from \$9 million to \$8 million. He still draws down \$150,000.

His earnings are calculated as $(\$8 \text{ million} + \$150,000) - \$9 \text{ million} = -\$850,000$. Carlos has negative earnings for the year of \$850,000 and is not required to pay any additional tax.

2026–27 financial year

By 30 June 2027, Carlos' balance has recovered to \$8.5 million and he has made a further \$150,000 in withdrawals.

His earnings for the second year are calculated as $(\$8.5 \text{ million} + \$150,000) - \$8 \text{ million} = \$650,000$.

Carlos carries forward his loss of \$850,000 from the previous financial year. He uses this to offset the \$650,000 earnings from the 2026–27 financial year. Carlos does not pay any tax in the 2026–27 financial year. His residual loss of \$200,000 is carried forward for future years.

Example from the Consultation Paper

Tax liability

A flat tax rate of 15 per cent will be applied to the proportion of earnings corresponding to an individual's TSB that is more than \$3 million. The amount of additional tax will be determined by the ATO and levied directly on individuals.

The 15 per cent tax would be imposed separately to personal income tax, and it is intended that the amount of tax payable would not be able to be reduced by deductions, offsets or losses available under the personal income tax system.

Consistent with the approach taken to taxes for excess contributions and Div 293 tax, individuals would have the option of paying their liability either by releasing amounts from one or more of their superannuation interests or by paying the liability from funds held outside of superannuation.

Reporting process for funds

The proposed reporting approach is intended to leverage existing reporting requirements to minimise the regulatory impact on superannuation funds and members. It is expected some additional reporting by superannuation funds may be required to support the ATO in calculating the tax liabilities. This would be expected to include reporting on benefit payments by APRA-regulated funds noting SMSFs already report benefit payments at the member level on an annual basis.

Where additional information is required, it is proposed the ATO would receive this information directly from superannuation trustees.

*Source: Budget Paper No. 2 page 15;
Budget Overview: page 63;*

*Treasurer's Media Release: Superannuation tax breaks, dated 28 February 2023; and
Consultation paper: Better targeted superannuation concessions, dated 31 March 2023*

► **2023-24 Federal Budget - Increasing the payment frequency of the superannuation guarantee and investing in compliance**

KEY POINTS	
■	The Government has announced that from 1 July 2026 employers will be required to pay their employees' superannuation guarantee (SG) on the same day that they pay salary and wages.
■	The ATO will also receive additional funding to improve data matching capabilities to identify and act on cases of SG underpayment by employers and for consultation and co-design.
■	Aligning the payment of superannuation with wages and salaries will increase retirement incomes through greater compounding returns.

In the lead up to the 2023–24 Federal Budget, the Treasurer, Jim Chalmers, and the Assistant Treasurer and Minister for Financial Services, Stephen Jones, issued a joint media release on 2 May 2023 announcing that from **1 July 2026**, employers will be required to pay their employees' superannuation at the same time as their salary and wages.

START DATE

1 July 2026

The change will strengthen Australia's superannuation system and help deliver a more dignified retirement to more Australian workers. The Government anticipates that more frequent superannuation payments will make employers' payroll management smoother with fewer liabilities building up on their books. It will also make it easier for employees to keep track of their payments, and harder for them to be exploited by disreputable employers. Aligning the payment of superannuation with wages and salaries will increase retirement incomes through greater compounding returns.

The 1 July 2026 start date will provide employers, superannuation funds, payroll providers and other parts of the superannuation system with sufficient time to prepare for the change.

The Government will consult with relevant stakeholders on the design of the changes, with final design to be considered as part of the 2024–25 Budget.

The ATO will also receive additional resourcing to help it detect unpaid superannuation payments earlier, and the Government will set enhanced targets for the ATO for the recovery of payments.

Source: Budget Paper No. 2 page 26;

Budget Paper No. 1, page 22;

Budget Overview: Ensuring Australians are paid the super they earn, page 62; and

Treasurer and Assistant Treasurer's joint Media Release: Introducing payday super, dated 2 May 2023

Compliance

► 2023-24 Federal Budget - Expanding the Part IVA general anti-avoidance rule

KEY POINTS	
■	The Government has announced that it will expand the scope of the general anti-avoidance rule for income tax in Part IVA of the <i>ITAA 1936</i> so that it can apply to schemes that: <ul style="list-style-type: none">■ reduce tax paid in Australia by accessing a lower withholding tax rate on income paid to foreign residents■ achieve an Australian income tax benefit, even where the dominant purpose was to reduce foreign income tax.

As part of the 2023–24 Federal Budget, the Government announced that it will improve the integrity of the tax system by expanding the scope of the general anti-avoidance rule for income tax in Part IVA of the *ITAA 1936* so that it can apply to schemes that:

APPLICATION DATE

Income years commencing on or after 1 July 2024

- reduce tax paid in Australia by accessing a lower withholding tax rate on income paid to foreign residents
- achieve an Australian income tax benefit, even where the dominant purpose was to reduce foreign income tax.

This measure will apply to income years commencing on or after 1 July 2024, regardless of whether the scheme was entered into before that date.

Source: Budget Paper No. 2 page 29

► 2023-24 Federal Budget - Driving collaboration with small business to reduce compliance

KEY POINTS

- The Government has announced that it will provide \$21.8 million over four years from 2023–24 — and \$1.4 million per year ongoing — to the ATO to lower the tax administration burden for small businesses.
- The measure includes:
 - from 1 July 2024 — an 18-month trial of an expansion of the ATO independent process to small business, with aggregated turnover between \$10 million and \$50 million, subject to an ATO audit
 - from 1 January 2025 — five new tax clinics to improve access to tax advice and assistance for small businesses
 - from 1 July 2024 — small businesses will be permitted to authorise their tax agent to lodge multiple Single Touch Payroll forms
 - from 1 July 2024 — faster, safer and cheaper tax refunds by reducing the use of cheques
 - from 1 July 2025 — small businesses will be permitted up to four years to amend their income tax returns.

As part of the 2023–24 Federal Budget, the Government announced that it will provide \$21.8 million over four years from 2023–24 — and \$1.4 million per year ongoing — to the ATO to lower the tax-related administrative burden for small businesses. Funding includes:

- \$12.8 million over three years from 2023–24 to trial an expansion of the **ATO independent review process** to small business — with aggregated turnover between \$10 million and \$50 million — subject to an ATO audit
 - the trial will commence on **1 July 2024** and run for 18 months
- \$9 million over four years from 2023–24 — \$1.4 million per year ongoing — for **five new tax clinics** from **1 January 2025** to improve access to tax advice and assistance for 2.3 million small businesses
 - funding eligibility will be extended to TAFE institutions to improve access to tax clinic services in regional areas.

The measure also includes reforms to cut paperwork and reduce tax compliance time for small businesses:

- from **1 July 2024** — small business will be permitted to authorise their tax agent to lodge multiple **Single Touch Payroll** forms on their behalf
- from **1 July 2024** — small businesses will benefit from faster, safer and cheaper income tax refunds by **reducing the use of cheques**
- from **1 July 2025** — small businesses will be permitted up to **four years to amend** their income tax returns.

Source: Budget Paper No. 2 page 210

▶ 2023-24 Federal Budget - GST compliance program - Four-year extension

KEY POINTS

- The Government has announced that it will provide \$588.8 million to the ATO over four years from 1 July 2023 to continue a range of GST compliance activities.

As part of the 2023–24 Federal Budget, the Government announced that it will provide \$588.8 million to the ATO over four years from **1 July 2023** to continue a range of activities that promote GST compliance.⁸⁵

These activities will ensure businesses meet their tax obligations, including accurately accounting for and remitting GST, and correctly claiming GST refunds.

The funding will also help the ATO develop more sophisticated analytical tools to combat emerging risks to the GST system.

Source: Budget Paper No. 2 page 19

▶ 2023-24 Federal Budget - Extending the Personal Income Tax Compliance Program

KEY POINTS

- The Government has announced that it will provide \$89.6 million to the ATO and \$1.2 million to Treasury to:
 - extend the Personal Income Tax Compliance Program for two years from 1 July 2025
 - expand its scope from 1 July 2023 to address emerging areas of risk.

As part of the 2023–24 Federal Budget, the Government announced that it will provide \$89.6 million to the ATO and \$1.2 million to Treasury to:

- extend the Personal Income Tax Compliance Program for two years from **1 July 2025** to enable the ATO to continue to deliver a combination of proactive, preventative and corrective activities in key areas of non-compliance
- expand the scope of the program from **1 July 2023** to address emerging areas of risk, e.g. deductions relating to short-term rental properties to ensure they are genuinely available for rent.

Source: Budget Paper No. 2 pages 16 and 17

⁸⁵ Funding arrangements have been agreed by the states and territories in accordance with the *GST Administration Performance Agreement*.

► 2023-24 Federal Budget - Treasury Portfolio - additional resourcing

KEY POINTS	
■	The Government has announced additional funding for: <ul style="list-style-type: none">■ the ATO to enable increased disclosure of the Australian Charities and Not-for-profits Commission's (ACNC) regulatory activities to enhance transparency and accountability in the charity sector and■ establishment of a public registry of beneficial ownership of companies and other legal vehicles, including trusts.

As part of the 2023–24 Federal Budget, the Government announced that it will provide:

- \$2.9 million over four years from 2023–24 (and \$0.6 million per year ongoing) to the ATO to enable increased disclosure of the Australian Charities and Not-for-profits Commission's (ACNC) regulatory activities to enhance transparency and accountability in the charity sector
- \$1.9 million over two years from 2023–24 to establish a public registry of beneficial ownership of companies and other legal vehicles, including trusts.

Source: Budget Paper No. 2 page 213

► 2023-24 Federal Budget - Improving engagement with taxpayers to ensure timely payment of tax and superannuation liabilities

KEY POINTS	
■	The Government has announced that it will provide funding to enable the ATO to engage more effectively with businesses to address the growth of tax and superannuation liabilities. <ul style="list-style-type: none">■ Engagement will be targeted at certain taxpayers with debt greater than \$100,000 and aged debts older than two years.■ A lodgment penalty amnesty is being provided for small businesses in respect of outstanding tax statements that were originally due during the period from 1 December 2019 to 29 February 2022.

As part of the 2023–24 Federal Budget, the Government announced that it will provide funding over four years from 1 July 2023 to enable the ATO to engage more effectively with businesses to address the growth of tax and superannuation liabilities.

The additional funding will facilitate ATO engagement with taxpayers who have high-value debts over \$100,000 and aged debts older than two years where those taxpayers are either public and multinational groups with an aggregated turnover of greater than \$10 million, or privately owned groups or individuals controlling over \$5 million of net wealth.

A lodgment penalty amnesty program is being provided for small businesses with aggregated turnover of less than \$10 million to encourage them to re-engage with the tax system. The amnesty will remit failure-to-lodge penalties for outstanding tax statements lodged in the period from 1 June 2023 to 31 December 2023 that were originally due during the period from 1 December 2019 to 29 February 2022.

Source: Budget Paper No. 2 page 29

Other taxes

▶ 2023-24 Federal Budget - Increase to Heavy Vehicle Road User Charge

KEY POINTS

- The Government has announced that it will increase the Heavy Vehicle Road User Charge from 27.2 cents per litre of diesel by six per cent over three years from 2023–24 to 32.4 cents per litre in 2025–26.
- The increase in the Heavy Vehicle Road User Charge which will contribute to road maintenance and repair means that the fuel tax credit will decrease.

Background

The road user charge (RUC) applies to each litre of diesel used by heavy vehicles such as buses and trucks on public roads. The RUC is set out in the *Fuel Tax Act 2006*. The fuel tax credit rate for fuel used in heavy vehicles for travelling on public roads is reduced by the road user charge. The road user charge reduces fuel tax credits for gaseous fuels to nil.⁸⁶

Increasing the heavy vehicle road user charge

As part of the 2023–24 Federal Budget, the Government announced that it will increase the Heavy Vehicle Road User Charge which is currently 27.2 cents per litre of diesel by six per cent over three years as follows:

2023–24	28.8 cents
2024–25	30.5 cents
2025–26	32.4 cents

START DATE

For the 2023–24 to 2025–26 income years

Source: Budget Paper No. 2 page 175

▶ 2023-24 Federal Budget - Increase in Tobacco Excise

KEY POINTS

- The Government has announced that it will:
 - increase tobacco excise and excise-equivalent customs duty by five per cent per year for three years from 1 September 2023, in addition to ordinary indexation
 - align the tax treatment of stick and non-stick tobacco
 - expand compliance activity to address illicit tobacco and work with relevant agencies and state and territory governments to develop an appropriate multi-jurisdictional approach.

⁸⁶ See www.ato.gov.au/Business/Fuel-schemes/In-detail/Heavy-vehicles/?page=2

In the lead up to the 2023–24 Federal Budget, the Minister for Health and Aged Care, Mark Butler announced in a Media Release on 2 May 2023 the following measures:

START DATE

1 September 2023

- raising the tax on tobacco by five per cent per year for three years in addition to normal indexation, from 1 September 2023
- aligning the tax treatment of loose-leaf tobacco products, such as roll-your-own tobacco, with the manufactured stick excise rate to ensure these products are taxed equally — this will be achieved by progressively lowering the ‘equivalisation weight’ on 1 September each year from 2023, with the new weight coming fully into effect from 1 September 2026. This will raise the per kilogram duty accordingly.

The Government will also expand compliance activity to address illicit tobacco and work with relevant agencies and state and territory governments to develop an appropriate multi-jurisdictional approach.

The proposed measures form part of the Government’s *National Tobacco Strategy 2023–2030* which was released on 2 May 2023. It is a new national framework, which commits to reducing daily smoking prevalence to below 10 per cent by 2025 and to five per cent or less by 2030.

Source: Budget Paper No. 2 page 11;

Minister for Health and Aged Care, Media Release: Taking action on smoking and vaping, dated 2 May 2023; and

National Tobacco Strategy 2023–2030, released 2 May 2023

Related laws

► 2023-24 Federal Budget - Foreign investment - interfunding exemption

KEY POINTS

- The Government has announced that it will exempt passive or low-risk interfunding transactions from mandatory notification requirements and fees under the *Foreign Acquisitions and Takeovers Act 1975*.
- The effect of this change is that it will significantly decrease the regulatory burden and financial costs for investors who undertake interfunding activities.
- Proposed to apply from the date of commencement of the amendments to the legislation.

As part of the 2023–24 Federal Budget, the Government announced that it will exempt passive or low-risk interfunding transactions from mandatory notification requirements and fees under the *Foreign Acquisitions and Takeovers Act 1975*.

APPLICATION DATE

Royal Assent of amending legislation

The exemption means qualifying interfunding investments will not require prior approval or attract fees, this will decrease the regulatory burden and financial costs. Interfunding transactions will remain reviewable national security actions under the *Foreign Acquisitions and Takeovers Act 1975*, which ensures the Treasurer’s national security powers will remain available if a national security risk arises.

Source: Budget Paper No. 2 page 18

► 2023-24 Federal Budget - Women's budget statement

KEY POINTS

- The Women's Budget Statement focuses on the following priorities:
 - women's economic security
 - ending violence against women and children
 - leadership and decision-making
 - women's health and wellbeing.
- Some of the key initiatives include:
 - increased rates of working-age and student payments, energy bill relief and expanded eligibility for the Parenting Payment (Single)
 - significant investments in housing
 - a wage increase for the aged care sector and investment in the professional development of early childhood educators
 - targets to reduce gender segregation across industries and occupations
 - investments to tackle entrenched disadvantage, gender segregation across industries, violence against First Nations women and gender bias in the health system.

The Women's Budget Statement focuses on four priorities:

1. women's economic security
2. ending violence against women and children
3. leadership and decision-making
4. women's health and wellbeing.

The Government announced as part of the Federal Budget that it will:

- increase rates of JobSeeker and other working-age and student payments by \$40 per fortnight, and reduce the eligible age for the existing higher rate of JobSeeker from 60 to 55
- provide, in partnership with state and territory governments, up to \$3 billion for energy bill relief
- increase the maximum rates of Commonwealth Rent Assistance by 15 per cent — between \$15.73 and \$31.36 per fortnight — from 20 September 2023
- make significant investments in housing to support the construction of more social and affordable dwellings and help people into home ownership
- expand eligibility for the Parenting Payment (Single) to single principal carers whose youngest child is under 14 and increase the base rate of payment to \$922.10 per fortnight
- abolish the ParentsNext program from 1 July 2024 and develop a replacement voluntary program
- support a wage increase for aged care workers and invest in the professional development of early childhood educators
- invest in a landmark package to tackle entrenched community disadvantage

- set targets to help reduce gender segregation across industries and occupations, which will contribute to closing the gender pay gap
- provide targeted investment in programs to address violence against First Nations women
- tackle gender bias in the health system by building the women’s health evidence base, investing in mental health supports, and providing tailored investments in women’s health care.

Source: Women’s Budget Statement

▶ 2023-24 Federal Budget - Strengthening Australia’s Anti-Money Laundering Framework

KEY POINTS
<ul style="list-style-type: none"> ▪ The Government has announced that it will provide \$14.3 million over four years from 2023–24 to strengthen Australia’s anti-money laundering framework, including additional funding for AUSTRAC.

As part of the 2023–24 Federal Budget, the Government announced that it will provide \$14.3 million over four years from 2023–24 to support policy and legislative reforms to harden Australia against illicit financing and evaluation of Australia’s anti-money laundering framework.

START DATE

From 1 July 2023

The funding includes:

- \$8.6 million over three years from 2023–24 to the Australian Transaction Reports and Analysis Centre (AUSTRAC) to develop legislative reforms to modernise Australia’s anti-money laundering and counter-terrorism financing regime and support the evaluation of Australia’s regime against global standards by the Financial Action Task Force
- \$5.6 million over four years from 2023–24 in additional departmental resourcing for the Attorney-General’s Department.

Source: Budget Paper No. 2 page 62

