ausTALK

SPECIAL BUDGET EDITION – Key Facts

TAX NEWS, VIEWS & CLUES FROM AUSWILD & CO
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# PERSONAL TAXATION

## Personal tax rates unchanged for 2023–2024

In the Budget, the Government did not announce any personal tax rates changes. The Stage 3 tax changes commence from 1 July 2024, as previously legislated.

The 2023–2024 tax rates and income thresholds for residents (unchanged since 2021–2022) are:

- taxable income up to $18,200 – nil;
- taxable income of $18,201 to $45,000 – nil plus 19% of excess over $18,200;
- taxable income of $45,001 to $120,000 – $5,092 plus 32.5% of excess over $45,000;
- taxable income of $120,001 to $180,000 – $29,467 plus 37% of excess over $120,000; and
- taxable income of more than $180,001 – $51,667 plus 45% of excess over $180,000.

### *Stage 3: from 2024–2025*

From 1 July 2024, there will only be three personal income tax rates: 19%, 30% and 45%. From 1 July 2024, taxpayers earning between $45,000 and $200,000 will face a marginal tax rate of 30%. With these changes, around 94% of Australian taxpayers are projected to face a marginal tax rate of 30% or less.

## Low income offsets:

### *Low and middle income tax offset (not extended)*

The LMITO has now ceased and been fully replaced by the low income tax offset (LITO).

As a result, low-to-middle income earners may see their tax refunds from July 2023 reduced by between $675 and $1,500 (for incomes up to $90,000 but phasing out up to $126,000), all other things being equal.

### *Low income tax offset (unchanged)*

The maximum amount of the LITO is $700. The LITO is withdrawn at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000 and then at a rate of 1.5 cents per dollar between taxable incomes of $45,000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.

## Medicare levy low-income thresholds for 2022–2023

For the 2022–2023 income year, the Medicare levy low-income threshold for singles will be increased to $24,276 (up from $23,365 for 2021–2022). For couples with no children, the family income threshold will be increased to $40,939 (up from $39,402 for 2021–2022). The additional amount of threshold for each dependent child or student will be increased to $3,760 (up from $3,619).

For single seniors and pensioners eligible for the seniors and pensioners tax offset (SAPTO), the Medicare levy low-income threshold will be increased to $38,365 (up from $36,925 for 2021–2022). The family threshold for seniors and pensioners will be increased to $53,406 (up from $51,401), plus $3,760 for each dependent child or student.

## Medicare levy exemption for lump sum payments in arrears from 1 July 2024

The Government will exempt eligible lump sum payments in arrears from the Medicare levy from 1 July 2024.

Eligibility requirements will ensure this relief is targeted to taxpayers who are genuinely on low incomes 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. They must also satisfy the existing eligibility requirements of the existing lump sum payment in arrears tax offset, including that a lump sum accounts for at least 10% of the taxpayer's income in the year of receipt.

### Government to waive student loans impacted by delayed records transfer to ATO

The Government will waive the following debts for affected loans, as determined at the date of transfer to the ATO:

- historical indexation, as well as indexation that will be applied on 1 June 2023 on loans issued prior to 1 July 2022 under the Higher Education Loan Program, the VET Student Loans program, the Trade Support Loans program and on loans issued in 2017 and 2018 under the VET FEE-HELP program; and
- outstanding debt for VET FEE-HELP loans issued from 2009 to 2016.

### Energy price relief plan

The Government will provide $1.5 billion over five years from 2022–2023 (and $2.7 million per year ongoing) to reduce the impact of rising energy prices on Australian households and businesses by providing targeted energy bill relief and progressing gas market reforms.

## BUSINESS TAXATION

### Small business instant asset write-off: $20,000 threshold for 2023–2024

The Government will temporarily increase the instant asset write-off threshold to $20,000 from 1 July 2023 to 30 June 2024.

Small businesses – those with aggregated annual turnover of less than $10 million – 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. The $20,000 threshold will apply 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.

The 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 2024.

### Small Business Energy Incentive: 20% bonus deduction

The Budget papers confirmed that the Small Business Energy Incentive will provide businesses with annual turnover of less than $50 million an additional 20% deduction on spending that supports electrification and more efficient use of energy.

The Small Business Energy Incentive will apply to a range of depreciating assets, as well as upgrades to existing assets. These will include assets that upgrade to more efficient electrical goods such as energy-efficient fridges, assets that support electrification such as heat pumps and electric heating or cooling systems, and demand management assets such as batteries or thermal energy storage.

However, 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.

Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024.

Full details of eligibility criteria will be finalised following consultation.

## TAX COMPLIANCE AND INTEGRITY

### Small business lodgement penalty amnesty

The Government announced that a lodgement penalty amnesty program will be provided for small businesses with aggregate 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.

### Integrity measure to target unpaid tax and super

The Government will also provide funding from 1 July 2023 over four years to assist the ATO to engage more effectively with businesses to address the growth of tax and superannuation liabilities.

### GST compliance program extended

The Government 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.

## SUPERANNUATION

### Super to be paid on payday from 1 July 2026; more action to catch non-payers

The Budget papers confirmed the Government's intention to require all employers to pay their employees' super guarantee amounts at the same time as their salary and wages from 1 July 2026.

The Government will also set enhanced targets for the ATO for the recovery of payments.

### Super fund NALI to be capped at twice general expense under NALE rules

The non-arm's length income (NALI) provisions in s 295-550 of the *Income Tax Assessment Act 1997*, as they apply to non-arm's length expenses (NALE), will be amended to limit the income taxable as NALI to twice the level of a general expense for self-managed super funds (SMSFs) and small APRA funds.

### Super tax changes for account balances above $3 million confirmed, but no further details

The Government confirmed its intention to implement superannuation tax changes for individuals with account balances above $3 million from 1 July 2025, including in relation to defined benefit schemes.

However, the Budget Papers did not reveal any further details.

Under the proposed changes, announced on 28 February 2023, individuals with total superannuation balances (TSBs) over $3 million at the end of a financial year will be subject to an additional tax of 15% on earnings from 1 July 2025. Earnings will be calculated with reference to the difference in TSB at the start and end of the financial year, adjusting for withdrawals and contributions. This means that the proposed additional 15% earnings tax on an individual's balance above $3 million will operate on an accruals basis and include any notional (unrealised) gains and losses.

In response to the Government's consultation paper, the SMSF Association has called for super funds to be given the option of reporting "actual earnings" rather than the proposed model which would calculate earnings based on the movement in the member's TSB, which by definition, includes "unrealised gains". In its submission, the Association set out numerous reasons why certain amounts would need to be excluded from an individual's TSB to avoid "earnings" being overstated under the proposed model.

### Super consumer advocate funding; ACCC super complaints mechanism

The Government will provide $5 million over five years from 2023–2024 to continue a superannuation consumer advocate to improve members' outcomes. This funding will be offset by an increase in the Superannuation Supervisory Levy administered by APRA.