



BUDGET OVERVIEW

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

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

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

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

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

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

If you want to look at the Budget Papers, these can be found [here](#).

Key tax and superannuation measures

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

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



BUSINESS INCOME TAX MEASURES

Small business – \$20,000 instant asset write-off extended

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

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

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

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

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

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

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

INDIVIDUALS – NON-BUSINESS TAX MEASURES

Personal rates – no more changes

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

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

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

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

Medicare levy low thresholds

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

HELP debts

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

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

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

tax law, and it will maintain minimum annual distributions consistent with the current requirements for ancillary funds.

Digital IDs and eInvoicing

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

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

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



SUPERANNUATION

Paying super on paid parental leave

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

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

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

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

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

payments), as a contribution to their superannuation fund;

- \$10.0 million over two years from 2024–25 to provide additional support for small business employers in administering PPL; and
- \$1.4 million over two years from 2023–24 to update communication products and documents for potential PPL recipients.

KEY TAX DATES

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

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

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