



Fogarty Partners

CHARTERED ACCOUNTANTS
BUSINESS ADVISORS

Client Information Newsletter — Tax & Super

2023-24 Budget



2023-24 Budget Wrap

The 2023-24 Federal Budget was handed down on 9 May. It contains changes to business and personal taxation, superannuation, social security entitlements, as well as cost of living relief. Following are some of the headline measures, many of which are subject to enabling legislation.

About this newsletter

Welcome to our monthly client information news letter, keeping you up to date with emerging tax and superannuation issues, news and changes that you may need to know about. If you require further information on any of the topics covered, please contact us.

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Further information

These are the just the headline measures! The full Budget papers can be found at www.budget.gov.au

Please contact us if you have any questions around how these proposals may impact you or your business.

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Business

Depreciation made less generous

Temporary full expensing (TFE) will cease and be replaced by a \$20,000 instant asset write-off (IAWO) from 1 July 2023.

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

For larger businesses, the write-off threshold is cut to \$1,000.

TFE, which allows eligible businesses with a turnover of less than \$5 billion to deduct the full cost of eligible depreciable assets of any value, is however still available up to 30 June 2023.

⇒ **What this means:** *This may impact your business's cashflow when acquiring assets above the relevant thresholds as your depreciation deductions will not be claimable upfront.*

Small business energy incentive

This will provide businesses with an annual turnover of less than \$50 million an additional 20% deduction on spending that supports electrification and more efficient use of energy. This incentive will apply to a range of depreciating assets (including energy-efficient fridges, heat pumps and electric heating or cooling systems, and demand management assets such as batteries or thermal energy storage) and also upgrades to existing assets. Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024.

⇒ **What this means:** *The bonus deduction provides a tangible benefit to business by reducing its taxable income by an additional 20% for investment in these assets.*

Small business lodgement penalty amnesty

A lodgment 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. This will see the ATO remit failure-to-lodge penalties for outstanding tax statements lodged from 1 June 2023 to 31 December 2023 that were originally due between 1 December 2019 to 29 February 2022.

⇒ **What this means:** *This enables businesses to re-engage with the ATO by catching up on overdue lodgements, free of late lodgement penalties.*

Crackdown on unpaid tax and superannuation

Also on the compliance front, from 1 July 2023 funding will be provided to the ATO over four years to assist it to engage more effectively with businesses to address the growth of tax and superannuation debts. This compliance action targets 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.

⇒ **What this means:** *Businesses in these categories should strongly consider getting on the front foot with these debts and, with your tax agent's assistance, at least enter into payments arrangements if eligible.*

Continued overleaf ⇨

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Business cont

Patent box proposals scrapped

The following patent box changes announced in the two previous Budgets will not be proceeding:

- the introduction of concessional tax treatment for eligible corporate income associated with new patents in the medical and biotechnology sectors
- extension of the patent box income measures to provide the same concessional tax treatment for corporate taxpayers who: commercialise their eligible patents linked to certain agricultural and veterinary chemical products; or commercialise their patented technologies which have the potential to lower emissions.

⇒ **What this means:** *Given that these proposals never made it into law, this will have no tangible impact compared to what prevails now*

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Individuals

No changes announced to Stage 3 tax cuts

The government did not propose any changes to the legislated Stage 3 tax cuts whereby from 1 July 2024, the 32.5% marginal tax rate will be cut to 30% for one big tax bracket between \$45,000 and \$200,000. The 37% tax bracket will be entirely abolished at this time.

⇒ **What this means:** *On the face of it, lowering the 32.5% to 30% and removing the 37% tax bracket altogether seems like a big win for middle and upper-middle income earners. But it will actually be a much bigger win for higher-income earners, in dollar terms. For example, an individual who earns:*

- *\$75,000 will be better off by \$750 per year compared to now*
- *\$125,000 will be better off by \$2,225*
- *\$200,000 will be better off by \$9,075.*

Low and middle income tax offset (LMITO) not extended

This tax offset ceased from 1 July 2022. The LMITO was introduced by the former Coalition government in 2018. It was only meant to be paid out once but was twice extended due to the pandemic. This offset was not extended on Budget night, and no replacement tax relief was offered to low- and middle-income earners.

⇒ **What this means:** *Low-income earners may face an increased tax liability of up to \$1,500 when upcoming 2022/23 tax returns are lodged.*

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Superannuation

Extra tax for super earnings for account balances above \$3 million confirmed

The 15% additional tax on superannuation "earnings" for individuals with account balances above \$3 million from 1 July 2025 has been confirmed. This will be in addition to the current superannuation income tax rate of 15%, applying to the whole of fund earnings. No further details were provided in the Budget papers.

⇒ **What this means:** *This is an extra tax impost for individuals, though it is forecast to impact less than 0.5% of individuals with a superannuation account. The tax can be paid by the superannuation fund or the individual.*

Super Guarantee payable on pay day from 1 July 2026

This will require all employers to pay their employees' super guarantee at the same time as their salary and wages (e.g. weekly or fortnightly etc. instead of every three months) from 1 July 2026.

⇒ **What this means:** *This may impact employer cashflow. From an employee standpoint, however, it will increase transparency of SG payments and also boost retirement savings. For example, the Treasurer says that 25-year-old median income earner currently receiving their super quarterly and wages fortnightly could be around \$6,000, or 1.5% better off at retirement.*

No reduction to minimum drawdown for super pensions for 2023/24

The temporary 50% reduction in the minimum annual payment amounts for superannuation pensions and annuities will not be extended into 2023/24.

⇒ **What this means:** *Pensions recipients will need to drawdown minimums of 50% more than applies this financial year. Minimum payments are determined by the age of the beneficiary and the value of the account balance as at 1 July each year. Failure to meet the minimum drawdown amounts may mean that the pension will be treated as having ceased at the start of that income year for tax purposes.*

NALI changes – proposed multiple reduced

The government is proposing to amend the non-arm's length income (NALI) provisions that apply to certain expenses incurred by superannuation funds.

Specifically relevant to SMSF trustees, the government is proposing to limit the level of a fund's income that is potentially taxable as NALI to twice the level of an impacted 'general' expense.

⇒ **What this means:** *The government had previously proposed that the maximum amount of income, subject to the highest marginal rate, would be five times the level of the general expenditure breach. A reduction to a multiple of two (instead of five) is welcome.*

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Social security and cost of living

Boost to Centrelink payments

A base-rate increase of \$40 per fortnight for about 1.1 million Australians on support payments including JobSeeker, Austudy and Youth Allowance.

Jobseeker increased

A JobSeeker payment increase of \$92.10 per fortnight will kick in for about 52,000 people aged over 55 who have been on the allowance for nine or more straight months. This currently applies only to those aged over 60.

Power bill rebates

\$500 energy rebates for 5.5 million households and 1 million businesses. Relief will be targeted to pensioners, Commonwealth Seniors Health Card holders and households receiving income support including Family Tax Benefit A and B. Income limits apply.

Sole parents

Sole parents will be able to receive the single parenting payment until their youngest child turns 14 – up from the current age of eight.

Rent assistance

15% increase to the rate of Commonwealth Rent Assistance, providing up to an **additional \$31 a fortnight** for about 1.1 million eligible households.

This information is general in nature. It has been prepared without taking into account your objectives, personal or business circumstances, financial situation or needs.

Because of this, you should, before acting on this information, consider in consultation with your adviser, its appropriateness, having regard to your objectives, personal or business circumstances, financial situation and needs.