



# 'Ace in the Hole'



**Budget 2023-24**  
**A Guide**

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# 'Ace in the Hole' Budget 2023-24

**The 'ace in the hole' of the 2023-24 Federal Budget was the \$4.2bn surplus; the first in 15 years.**

**The surplus was driven by a surge in the corporate and individual tax take.** High commodity prices, inflation, and high employment have all pushed up corporate and individual tax receipts. But the gains can't be relied on long term. The Budget is expected to deliver a deficit of \$13.9 billion in 2023-24, and a \$35.1bn deficit in 2024-25.

## **Social initiatives dominated the Budget:**

- Energy bill relief for some households and small business
- Encouraging doctors to offer bulk billing by tripling the incentive for children under 16, pensioners and other Commonwealth card holders
- Increases to commonwealth rent assistance
- Increases to JobSeeker and other income support payments
- Expanding access to the single parenting payment

**The legislated stage 3 tax cuts legislated to take effect on 1 July 2024 remain in place.** Stage 3 radically simplifies the tax brackets by collapsing the 32.5% and 37% rates into a single 30% rate for those earning between \$45,001 and \$200,000.

**For small business,** the instant asset write-off will enable multiple assets of up to \$20,000 to be written-off in the year of purchase.

## **What wasn't in the Budget?**

There was no mention of the loss carry back rules for companies, suggesting that these rules will expire on 30 June 2023, along with the temporary full expensing rules. The loss carry

back rules allow eligible companies to apply tax losses against taxable profits made in certain previous income years, rather than carrying them forward to future years.

There is no mention of the simplification of Division 7A - Division 7A captures situations where shareholders access company profits in the form of loans, payments or the forgiveness of debts. The 2016-17 Federal Budget proposed changes to reduce the compliance burden of Division 7A. These changes were initially meant to apply from 1 July 2018 but were deferred a number of times, before the Government announced that any changes would commence from the start of the income year following the date on which the changes receive Royal Assent. Aside from a Treasury discussion paper released back in October 2018, this issue remains in limbo.

The Budget also doesn't refer to either the Skills and Training Boost or the Technology Investment Boost. These measures, announced by the previous Government, would provide a bonus deduction equal to 20% of qualifying expenditure if the legislation containing these measures is passed in its current form (*Treasury Laws Amendment (2022 Measures No. 4) Bill 2022*). The Technology Investment Boost is aimed at expenditure incurred between 7:30pm (ACT) on 29 March 2022 and 30 June 2023. The Skills and Training Boost is aimed at expenditure incurred between 7:30pm (ACT) on 29 March 2022 and 30 June 2024.

If we can assist you to take advantage of any of the Budget measures, or to risk protect your position, please let us know.

As always, we're here if you need us!

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# The team

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# Individuals & families

## Energy price plan relief

<b>From</b>	July 2023
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\$1.5bn has been provided over 5 years to provide targeted energy bill relief and progressing gas market reform.

The Energy Bill Relief Fund will provide targeted energy bill relief to eligible households and small business customers, which includes pensioners, Commonwealth Seniors Health Card holders, Family Tax Benefit A and B recipients and small business customers of electricity retailers.

In partnership with the states and territories, the plan is expected to deliver up to \$500 in electricity bill relief for eligible households and up to \$650 for eligible small businesses.

Funding has also been provided to the ACCC to enforce the temporary cap of \$12 per gigajoule on the price of gas and to develop and implement a mandatory gas code of conduct. And, funding for Australian Energy Regulator to monitor coal and gas markets across the National Electricity Market.

The Government expects that retail electricity price increases in 2023-24 will be around 25% smaller and retail gas price increases around 16% smaller as a result of their interventions.

## Household energy upgrade fund

A \$1.3bn Household Energy Upgrades Fund will be established to support home upgrades that improve energy performance. No, the

Government is not giving out cash for upgrades but providing \$1bn to the Clean Energy Finance Corporation to provide low-cost finance and mortgages in partnership with private financial institutions for home upgrades that save energy.

\$300m is committed to upgrading social housing in collaboration with states and territories. And, over \$36m to upgrade the energy ratings systems.

## Incentive to provide Medicare bulk billing to concession card holders and children

<b>From</b>	2022-23
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As previously announced, the bulk billing incentive benefits for consultations for Commonwealth concession card holders and patients aged under 16 years of age will be tripled from 2022-23.

## Less people to pay Medicare Levy

<b>From</b>	1 July 2022
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The Medicare levy low-income thresholds for singles, families and seniors and pensioners will increase from 1 July 2022.

Threshold	From	To
Singles	\$23,365	\$24,276
Family	\$39,402	\$40,939
Single seniors & pensioners	\$36,925	\$38,365
Family seniors & pensioners	\$51,401	\$53,406

For each dependent child or student, the family income thresholds will increase by a further \$3,760 instead of the previous amount of \$3,619.

## Exempting lump sum payments in arrears from Medicare Levy

The Government will introduce a technical amendment to ensure that low income earners who receive eligible lump sum payments are not subject to a higher amount of the Medicare Levy. For example, if an individual receives a lump sum compensation payment for underpaid wages.

To qualify, taxpayers must be eligible for a reduction in the Medicare levy in the 2 most recent years to which the lump sum accrues. Taxpayers must also satisfy the 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.

## Increasing JobSeeker

The Government will increase support for people receiving working age payments including JobSeeker.

The base rate of working age and student payments will increase by \$40 per fortnight from 20 September 2023. The increase applies to the JobSeeker Payment, Youth Allowance, Parenting Payment (Partnered), Austudy, ABSTUDY, Disability Support Pension (Youth), and Special Benefit.

In addition, eligibility for the existing higher single JobSeeker Payment rate for recipients aged 60 years and over will be extended to recipients aged 55 years and over who are on the payment for 9 or more continuous months.

## Single parent payment increase

<b>From</b>	20 September 2023
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As previously announced, the age cut-off for the Parenting Payment (Single) will increase from 8 to 14.

From 20 September 2023, (subject to the passage of legislation), single parents will no longer have to transfer to JobSeeker when their youngest child turns eight. Instead, they will continue to receive the higher support, with a current base rate of \$922.10 per fortnight until their youngest child turns 14.

As a result, eligible single parents currently on JobSeeker will receive an increase to payments of \$176.90 per fortnight.

Single parents moving to Parenting Payment (Single) will also benefit from more generous earning arrangements compared to JobSeeker. Eligible single parents with one child will be able to earn an extra \$569.10 per fortnight, plus an extra \$24.60 per additional child, before their payment stops.

### Resources

Media Release: [Extending the financial safety net for single parents](#)

## Increased rent assistance

The maximum rates of the Commonwealth Rent Assistance (CRA) allowances will increase by 15% from 2022-23.

## Scheme enabling pensioners to earn more extended

The measure enabling age pensioners and veterans to earn more money before their pension is reduced has been extended for another 6 months, until 31 December 2023.

Under this measure, pensioners can earn up to \$11,800 before their pension is reduced.

## In-home aged care increase

An additional 9,500 Home Care Packages will be available in 2023-24. The \$338.7m package also includes a trial to test products and services for a new assistive technologies loan program, commencing in July 2024 within 2 states and territories.

## Access to home guarantee scheme expanded to friends and siblings

As previously announced, from 1 July 2023, access to the Government's **Home Guarantee Scheme** will be expanded to joint applications from "friends, siblings, and other family members" and to those who have not owned a home for at least 10 years.

Scheme	Current eligibility	From 1 July 2023
<p><b>First Home Guarantee</b> – guarantees part of a first home owner's home loan enabling them to purchase a home with as little as 5% deposit without paying Lenders Mortgage Insurance. Guarantee capped at 15% of the value of the property.</p> <p>35,000 places are available to the scheme per year.</p>	<ul style="list-style-type: none"> <li>• <b>Applying as an individual or couple (married / de facto)</b></li> <li>• <b>First home buyers who have not previously owned, or had an interest in, a property in Australia.</b></li> <li>• <b>An Australian citizen(s) at the time they enter into the loan</b></li> <li>• At least 18 years of age</li> <li>• Earning up to \$125,000 for individuals or \$200,000 for couples, as shown on the Notice of Assessment (issued by the Australian Taxation Office)</li> <li>• Intending to be owner-occupiers of the purchased property</li> </ul>	<ul style="list-style-type: none"> <li>• Friends, siblings, and other family members will be eligible for joint applications not just an individual or couple (married de facto)</li> <li>• First home buyers and non-first home buyers who haven't owned a property in Australia in the last ten years</li> <li>• Australian citizens and permanent residents at the time they enter the loan</li> <li>• All other criteria remain the same</li> </ul>
<p><b>Regional First Home Buyer Guarantee</b> - An extension of the First Home Guarantee applicable to regional areas only</p> <p>10,000 places are available to the scheme each year to 30 June 2025.</p>	<ul style="list-style-type: none"> <li>• As above for the First Home Guarantee plus the borrower must have lived in the regional area (or adjacent) they are purchasing in for the preceding 12-month period to the date they execute the home loan agreement.</li> </ul>	<ul style="list-style-type: none"> <li>• As above for the First Home Guarantee plus the regional area eligibility requirement.</li> </ul>
<p><b>Family Home Guarantee</b> – guarantees the home loan of an eligible single parent with at least one dependent child enabling them to purchase a home with as little as 2% deposit without paying Lenders Mortgage Insurance. Guarantee capped at 15% of the value of the property.</p> <p>5,000 places are available to the scheme each year to 30 June 2025.</p>	<ul style="list-style-type: none"> <li>• Applying as an individual</li> <li>• A single parent with at least one dependent child (natural or adopted)</li> <li>• An Australian citizen at the time they enter into the loan</li> <li>• At least 18 years of age</li> <li>• Be earning no more than \$125,000 per year</li> <li>• Intending to be owner-occupier of the purchased property</li> <li>• Not currently a property owner</li> </ul>	<ul style="list-style-type: none"> <li>• A single parent with at least one dependent child including legal guardians of children such as aunts, uncles and grandparents</li> <li>• Australian citizens and permanent residents at the time they enter into the loan</li> </ul>



# Superannuation & investors

## Clarifying the non-arms length income rules for super funds

The non-arms length income (NALI) rules prevent superannuation trustees artificially increasing the balance of the fund, and accessing preferential tax treatment on the higher amount, by failing to recognise expenses incurred by the fund provided by a related party at a reduced rate. For example, your brother is a qualified accountant and does all of your SMSF's accounting work for free (that he would normally charge \$5k for).

Currently, where expenses incurred by the fund are not at arm's length and below market rates, any income derived could be deemed to be non-arm's length income and taxed at the top marginal tax rate. Expenses are divided into two categories, general and specific. General expenses relate to all of the income of the fund, for example accounting and audit fees. Specific expenses relate to a specific asset such as maintenance expenses on a property owned by an SMSF.

A **Treasury consultation** paper released in January 2023 recommended amendments to the way NALI is dealt with. The consultation recommended capping the amount of fund income taxable as NALI to 5 times the amount of the breach. The Budget confirms this cap to twice the level of a general expense.

In addition, fund income taxable as NALI will exclude contributions.

Expenditure that occurred prior to the 2018-19 income year will be exempt.

And, as per the consultation, large APRA regulated funds will be exempted from the NALI provisions for both general and specific expenses of the fund.

## Confirmed 30% tax on super earnings above \$3m

From	1 July 2025
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An additional tax of 15% on earnings will apply to individuals with a total superannuation balance over \$3 million at the end of a financial year from 1 July 2025. The definition of total superannuation balance (TSB) for the new tax uses the current definition and includes amounts in retirement phase pensions.

The calculation for the tax aims to capture growth in TSB over the financial year allowing for contributions (including insurance proceeds) and withdrawals. This method captures both realised and unrealised gains, enabling negative earnings to be carried forward and offset against future years.

Interests in defined benefit schemes will be appropriately valued and will have earnings taxed under this measure in a similar way to other interests.

Individuals will have the choice of paying the tax personally or from their superannuation fund and those with multiple accounts can nominate which fund will pay the tax.

This measure is estimated to increase tax receipts by \$950m and increase payments by \$47.6m over the 5 years from 2022-23.

# Business & employers

## \$20,000 small business instant asset write-off

<b>From</b>	1 July 2023 to 30 June 2024
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Small businesses, with an aggregated turnover of less than \$10 million, will be able to immediately deduct the full cost of eligible depreciating assets costing less than \$20,000 that are first used or installed ready for use between 1 July 2023 and 30 June 2024.

“Immediately deductible” means a tax deduction for the asset can be claimed in the same income year that the asset was purchased and used (or installed ready for use).

If the business is registered for GST, the cost of the asset needs to be less than \$20,000 after subtracting the GST credits that can be claimed for the asset. If the business is not registered for GST, it is \$20,000 including GST.

The write-off applies per asset, so a small business can deduct the cost of multiple assets.

The rules only apply to assets that fall within the scope of the depreciation provisions. Expenditure on capital improvements to buildings that falls within the scope of the capital works rules is not expected to qualify.

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 5 years if they opt-out will continue to be suspended until 30 June 2024. This will be particularly relevant to small business entities that chose to leave the simplified depreciation system in order to opt-out of applying the temporary full expensing rules to one or more specific assets.

This announcement effectively confirms that the temporary full expensing rules, which have provided an immediate deduction for the full cost of assets acquired from 6 October 2020, will come to an end on 30 June 2023. Small business entities that are considering acquiring depreciating assets with a cost of \$20,000 or more and business entities with aggregated turnover of \$10 million or more should keep this cut-off date in mind as 30 June 2023 approaches.

## \$20,000 small business incentives for energy efficiency

<b>Date</b>	1 July 2023 to 30 June 2024
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As previously announced, the Small Business Energy Incentive provides an additional deduction of 20% of the cost of eligible depreciating assets that support electrification and more efficient use of energy.

Up to \$100,000 of total expenditure will be eligible, with a maximum bonus deduction of \$20,000.

The incentive is available to small and medium businesses with aggregated annual turnover of less than \$50 million.

While the full detail of what qualifies for the incentive is not yet available, it is expected to apply to a range of depreciating assets and upgrades to existing assets such as electrifying heating and cooling systems, upgrading to more

efficient fridges and induction cooktops, and installing batteries and heat pumps. Some exclusions will apply including electric vehicles, renewable electricity generation assets, capital works, and assets that are not connected to the electricity grid and use fossil fuels.

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

#### Resources

Media Release: [Small Business Energy Incentive](#)

## Lowering tax instalments for small business

<b>For</b>	2023-24
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Normally, GST and PAYG instalment amounts are adjusted using a GDP adjustment or uplift.

In 2022-23, the Government reduced this uplift factor to 2% instead of the 10% rate that would have applied. And now for 2023-24, the Government has set the uplift factor to 6% instead of the 12% rate that would have applied.

The 6% uplift rate will apply to small to medium enterprises eligible to use the relevant instalment methods for instalments for the 2023-24 income year and are due after the amending legislation comes into effect:

- Up to \$10 million annual aggregated turnover for GST instalments, and
- \$50 million annual aggregated turnover for PAYG instalments.

## 'Payday' super - Increasing payment frequency of employee super

<b>Date</b>	1 July 2026
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As previously announced, from 1 July 2026, employers will be required to pay their employees' super guarantee entitlements on the same day that they pay salary and wages.

Currently, SG is paid quarterly.

The Government will undertake a consultation process with the aim of providing details of the final design of the measure in the 2024-25 Federal Budget.

#### Resources

Media Release: [Introducing payday super](#)

## Hybrid cars excluded from FBT exemption for electric cars

<b>Date</b>	1 April 2025
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As previously announced, plug-in hybrid electric cars will be excluded from the fringe benefits tax (FBT) exemption for eligible electric cars from 1 April 2025.

Arrangements entered into between 1 July 2022 and 31 March 2025 can remain eligible for the FBT exemption as long as the exemption applied to the car before 1 April 2025 and the employer has a financially binding commitment to continue providing private use of the car on and after this date.

## Franked distributions funded by capital raisings start date

Date	15 September 2022
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In 2016-17, the Government announced that it would seek to prevent shareholders from taking advantage of franking credits attached to dividends that are funded by capital raisings. The Budget confirms the Government's intention to pursue this measure with a revised start date of 15 September 2022.

Under the measure, a distribution (dividend) paid by an entity will be treated as being funded by capital raising if:

- The distribution is not consistent with an established practice of the entity of making distributions of that kind on a regular basis;
- There is an issue of equity interests in the entity; and
- It is reasonable to conclude, having regard to all relevant circumstances, that either:
  - The principal effect of the issue of any of the equity interests was to directly or indirectly fund all or part of the distribution; or
  - An entity that issued or facilitated the issue of the interests did so for a purpose of funding all or part of the distribution.

The proposed changes seek to prevent the use of artificial arrangements where capital is raised to fund the payment of franked dividends to shareholders and therefore enable the distribution of franking credits. The Government is concerned that these arrangements can involve a manipulation of the system to allow existing shareholders to obtain the benefit of both the franking credits and the profits that generated those credits being retained in the company.

The effect of the proposed amendments is that direct or indirect recipients of affected dividends

are not entitled to a tax offset, and the amount of the franking credit is not included in the assessable income of the recipient. The dividends are also not exempt from non-resident withholding tax.

The application date of the original measure was to be 19 December 2016. It has now shifted to 15 September 2022.

This measure is contained in *Treasury Laws Amendment (2023 Measures No. 1) Bill 2023*, which was introduced to Parliament on 16 February 2023.

## Tax breaks for build-to-rent developments

As previously announced, the Government is actively sweetening the deal for build-to-rent developments.

For eligible new build-to-rent projects where construction commences after 7:30pm AEST on 9 May 2023, the Government will:

- Increase the rate for the capital works tax deduction (depreciation) from 2.5% to 4% p.a.
- Reduce the final withholding tax rate on eligible fund payments from managed investment trust (MIT) investments from 30% to 15%.

The measure applies to build-to-rent projects where 50 or more apartments are made available to rent to the general public. The dwellings must be retained under single ownership for at least 10 years before being able to be sold and landlords must offer a lease term of at least 3 years for each dwelling.

The reduced MIT withholding tax rate for residential build-to-rent will apply from 1 July 2024. The Government will work through a consultation process to determine implementation details, including any minimum

proportion of dwellings being offered as affordable tenancies and the length of time dwellings must be retained under single ownership.

#### Resources

Media Release: [Billions to boost social and affordable rental homes](#)

## Cost of tobacco to increase from September

<b>From</b>	1 September 2023
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The tobacco excise and excise-equivalent customs duty will increase by 5% per year for 3 years from 1 September 2023 in addition to ordinary indexing.

In addition, the duty on products subject to the per kilogram excise and excise-equivalent customs duty (i.e., roll-your-own tobacco), will increase. The 'equivalisation weight' will be progressively lowered from 0.7 to 0.6 grams on 1 September each year from 2023, with the new weight coming fully into effect from 1 September 2026.

The measure is expected to increase receipts by \$3.3bn and increase GST payments to the states and territories by \$290m over the 5 years from 2022-23.

## 15% multi-national global and domestic minimum tax

The Government will implement key aspects of the OECD's Two Pillar Solution introducing:

- A 15% global minimum tax for large multinational enterprises with the Income Inclusion Rule applying to income years starting on or after 1 January 2024 and the

Undertaxed Profits Rule applying to income years starting on or after 1 January 2025.

- A 15% domestic minimum tax applying to income years starting on or after 1 January 2024.

The tax is based on the OECD Global Anti-Base Erosion Model Rules, which are designed to ensure large multinationals pay an effective minimum level of tax on the income arising in each jurisdiction where they operate.

The global minimum tax rules would allow Australia to apply a top up tax on a resident multinational parent or subsidiary company where the group's income is taxed below 15%.

The global minimum tax and domestic minimum tax will apply to large multinationals with annual global revenue of EUR750 million (approximately \$1.2 billion) or more.

## Heavy vehicle user charge increase

<b>From</b>	2023-24
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The Heavy Vehicle Road User Charge rate from 27.2 cents per litre of diesel by 6% per year over 3 years from 2023-24 to 32.4 cents per litre in 2025-26.

## Tax law changes for general insurers

<b>From</b>	1 January 2023
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The introduction of the new accounting standard, AASB17 Insurance Contracts, by the Australian Accounting Standards Board, has meant that the tax law is no longer aligned with accounting standards. A legislative amendment will be made to enable general insurers to continue to use audited financial reporting

information, which is calculated according to the new standard, as the basis for their tax returns.

## Clean building MIT withholding tax concession extended

<b>From</b>	1 July 2025
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The clean building managed investment trust (MIT) withholding tax concession will be extended to eligible data centres and warehouses that meet the relevant energy efficiency standard, where construction commences after 7:30pm AEST on 9 May 2023.

This measure 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.

## Tax treatment of exploration and mining, quarrying and prospecting rights

<b>From</b>	Expenditure incurred from 21 August 2013
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As previously announced, the Government will amend the Petroleum Resource Rent Tax (PRRT) to clarify that 'exploration for petroleum' is limited to the 'discovery and identification of the existence, extent and nature of the petroleum resource' and does not extend to 'activities and feasibility studies directed at evaluating whether the resource is commercially recoverable'.

<b>From</b>	7:30pm AEST, 9 May 2023
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The tax treatment of depreciation deductions for mining, quarrying and prospecting rights will

also be clarified to ensure that deductions will only commence when they are used (not merely held).

## Bringing forward tax on natural gas

As previously announced, the Government will amend the Petroleum Resource Rent Tax (PRRT) to limit deductions and introduce a series of integrity measures for the offshore LNG industry. Consultation on the changes will occur later in 2023.

This measure is estimated to increase receipts by \$2.4bn over the 5 years from 2022-23. The ATO will also be provided with \$4.4 million to administer and ensure compliance.

## Picking winners: Hydrogen industry

Over \$2bn has been committed to accelerate the development of Australia's hydrogen industry, catalyse clean energy industries, and help Australia connect to new global hydrogen supply chains.

The Hydrogen Headstart program will provide revenue support for investment in renewable hydrogen production through competitive production contracts, including funding for the Australian Renewable Energy Agency and the Department of Climate Change, Energy, the Environment and Water to support the development and operation of the program.

In a separate program, \$38.2m has been provided for a Guarantee of Origin scheme, which will certify renewable energy and track and verify emissions from clean energy products - in particular hydrogen from 2023-24.

## Resources

Media Release: [Hydrogen Headstart to power new jobs & industry](#)

## Critical technology industry support

<b>From</b>	2022-23
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\$116m over 5 years will support the development of critical technologies. This includes support for businesses to integrate quantum and artificial intelligence (AI) technologies into their operations through:

- A Critical Technologies Challenge Program supporting projects that use critical technologies to solve significant national challenges, and will commence with a focus on projects that use quantum computing
- Extending the National AI Centre and its role in supporting responsible AI usage
- Establishing an Australian Centre for Quantum Growth to support ecosystem growth and commercialisation in Australia's quantum industry
- Supporting SME's adoption of AI technologies to improve business processes and increase trade competitiveness.

In addition, a Powering Australia Industry Growth Centre will develop advanced technology and skills as part of the Government's Australian Made Battery Plan.

## Support for child care workforce

<b>From</b>	2022-23
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A series of measures will support the Early Childhood Education and Care (ECEC) sector including:

- \$34.4m over 5 years to subsidise ECEC services to backfill up to 75,000 early childhood educators, and training for teachers and directors.
- \$33.1m over 5 years for financial assistance for up to 6,000 educators to undertake a paid practicum in initial teacher education courses at a bachelor or post-graduate level.
- \$4.8m for up to 2,000 ECEC workers to undertake a practicum exchange at a different service.

## 15% pay increase for Aged Care Workers

<b>From</b>	2022-23
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\$515m over 5 years will be provided to fund the outcome of the Fair Work Commission's decision on the Aged Care Work Value Case – increasing award wages by 15% from 30 June 2023 for many aged care workers including registered nurses, enrolled nurses, assistants in nursing, personal care workers, home care workers, recreational activity officers, and some head chefs and cooks.

The increase will be partially offset by a temporary reduction in the residential aged care provision ratio from 78 places to 60.1 places per 1,000 people aged over 70 years.

## Scrapped 'Patent Box' regime

The Patent Box regime was to provide a concessional effective corporate tax rate of 17% on income derived from patents, to the extent that the taxpayer undertakes the R&D of that patent in Australia. The patent box tax regime was originally announced for the medical and biotech industries, and later extended to agriculture and emissions.

All 'patent box' measures have now been scrapped.

## Delayed Streamlining excise administration for fuel and alcohol

<b>From</b>	1 July 2024
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The start date for the 2022-23 March Budget measure to streamline fuel and alcohol excise compliance has been pushed back to 1 July 2024.

## Film industry location offset

To attract investment from large-budget screen productions and provide domestic employment and training opportunities, the Location Offset rebate rate will increase to 30%, whilst increasing the minimum Qualifying Australian Production Expenditure thresholds to \$20m for feature films and \$1.5m per hour for television series.

# Government & regulators

## Extending Part IVA anti-avoidance rules

<b>From</b>	1 July 2024
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Part IVA is the general anti-avoidance provision that the ATO can use to attack arrangements that are entered into in order to obtain tax benefits.

The scope of Part IVA will be extended so that it can apply to:

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

- Schemes that 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.

## AAT to be replaced

The Administrative Appeals Tribunal will be replaced by a new federal administrative review body. Funding has been provided to appoint new members to the AAT to address the backlog, to manage the transition, and to develop a modern case management system for the new body.

## Small business ATO compliance

Among the programs to reduce the compliance burden on small business is a series of initiatives to cut paperwork. These include:

- From 1 July 2024, small businesses will be permitted to authorise their tax agent to lodge multiple Single Touch Payroll forms on their behalf.
- From 1 July 2024, the Australian Taxation Office (ATO) will reduce the use of cheques for income tax refunds.
- From 1 July 2025, small businesses will be permitted up to 4 years to amend their income tax returns (generally 2 years).

## Personal income tax compliance and rental property owners under scrutiny

<b>From</b>	1 July 2025
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The ATO will receive \$89.6m and Treasury \$1.2m over two years to extend the personal income



tax compliance program for two years and to expand it to target emerging issues such as deductions relating to short-term rental properties to ensure they are genuinely available to rent.

## Lowering tax and super liabilities

<b>From</b>	1 July 2023
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The ATO and Treasury will be funded to address the growth in tax and superannuation liabilities. The focus is on:

- High-value debts over \$100,000
- 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.

## Small business lodgment penalty amnesty

Small businesses with an aggregated turnover of less than \$10m, will be able to access a lodgment penalty amnesty program. 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.

## GST compliance program extended

<b>From</b>	1 July 2023
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The ATO will receive over \$588m over 4 years to continue its work to improve GST compliance. The funding is also intended to help the ATO develop more sophisticated analytical tools to combat emerging risks.

The measure is estimated to increase receipts by \$7.6bn and increase payments by \$3.8bn over the 5 years from 2022-23.

## Serious Financial Crime Taskforce and Serious Organised Crime program extended and merged

<b>From</b>	1 July 2023
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The Government will extend funding for the Serious Financial Crime Taskforce (SFCT) and Serious Organised Crime program (SOC) over 4 years to 30 June 2027 and merge the programs, with a merged SFCT to commence from 1 July 2023.

## Anti-slavery Commissioner

An Anti-Slavery Commissioner will be established to work across Government, industry and society, to support compliance with the *Modern Slavery Act 2018*, improving transparency of supply chains.

## Other

### Support for SMEs and start-ups

An Industry Growth Program will support SMEs and start-ups to commercialise their ideas and grow their operations (businesses operating in the National Reconstruction Fund are a priority). The program has \$392.4 million over 4 years.

An additional \$39.6m over 4 years will support the Single Business Service to help SMEs engage with Government.

## Resources

Media Release: [Investing in industry growth](#)

## Cybersecurity funding

A small business wardens program through the Council of Small Business Organisations Australia (COSBOA) will support small businesses to build in-house capability to protect against cyber threats. \$23.4 million has been provided over 3 years from 2023-24.

## Disruptive defence technology funding

\$3.4bn over 10 years has been provided to the Department of Defence to establish the 'Advanced Strategic Capabilities Accelerator.' Working with Australian industry, the accelerator seeks to "to lift capacity to translate disruptive new technologies into Defence capability rapidly." Hmmm.

## Direct pathway for kiwis to become Australian citizens

The Government will provide a direct pathway to Australian citizenship for New Zealand citizens in Australia from 1 July 2023, by allowing those who hold a non-protected Special Category visa (subclass 444), and meet general residence and other eligibility requirements, to apply directly for citizenship without becoming permanent residents first.

## Reintroduction of work hour cap on international student visa holders

From	1 July 2023
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During the pandemic, the cap on the number of hours an international student visa holder could work was removed.

From 1 July 2023 a work cap of 48 hours per fortnight will be reinstated. International students working in the aged care sector will be exempt from the cap until 21 December 2023.

## International student post-study work rights extended

From	1 July 2023
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In a move designed to strengthen the pipeline of skilled labour, from 1 July 2023, the Government will grant an extra two years of post-study work rights to international higher education graduates of Australian institutions with eligible qualifications.

## Increase in wage expectations for temporary skilled workers

From	1 July 2023
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Employers who wish to nominate workers for subclass 482, 186 and 187 visas must meet certain salary and employment condition requirements. This includes ensuring that the overseas worker is paid no less than an Australia worker doing the same job, and the visa programs does not undercut the Australian labour market. If a worker will be paid less than \$250,000, the employer needs to prove that the overseas worker will be paid at least the

Temporary Skilled Migration Income Threshold (TSMIT).

From 1 July 2023, TSMIT will increase from the current rate of \$53,900 to \$70,000.

## Visa application charges increase

<b>From</b>	1 July 2023
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From 1 July 2023, Visa application charges will increase by:

- 6% for visa applications
- 15% for select visitor and temporary visa subclasses
- 40% for business innovation and investment visas

The Pacific Engagement Visa and Pacific Australia Labour Mobility schemes are exempt from the increase.

## \$1bn to boost biosecurity

The Government has committed \$1bn over 4 years to strengthen Australia's biosecurity system. The spending is focussed on biosecurity policy and implementation including preparedness, digital systems in cargo pathways, and the reduction of biosecurity risks in Northern Australia.

The initiative is partially offset by increasing costs for the clearance of low value imported cargo and a biosecurity protection levy on Australian producers of agricultural, forestry and fishery products from 1 July 2024.

# The economy

## In surplus ...for now

The surplus was driven by a surge in the corporate and individual tax take. High commodity prices, inflation, and high employment have all pushed up corporate and individual tax receipts. But the gains can't be relied on long term. The Budget is expected to deliver a deficit of \$13.9 billion in 2023-24, and a \$35.1bn deficit in 2024-25.

## Inflation to drop to 3.25%

While remaining persistently high for longer than anticipated, inflation is expected to fall from 6% to 3.25% in 2023-24.

The \$3bn energy relief partnership with the states and territories and the temporary price cap on gas and black coal, are estimated to lower inflation by 0.75% in 2023-24.

## Debt still an issue

Gross debt to GDP is expected to peak lower and earlier at 36.5% of GDP in 2025-26. While \$154bn less than the March 2022 expectations, it is an eye watering \$1.015 trillion. Net debt rises steadily to 24.1% of GDP to \$702.9bn in 2026-27. And, this is assuming the Government can deliver on its anticipated savings reigning in the National Disability Insurance Scheme from a growth rate of 14% to 8%.

## Growth slow down

Growth is expected to slow. Real GDP growth is expected to slow to 1.5% in 2023-24, before rising to 2.25% in 2024-25.

## Unemployment remains low

The unemployment rate is projected to remain low by historical standards, rising modestly to 4.25% in 2023–24 and 4.5% per cent in 2024-25.

## Identified savings

Notable Budget savings include:

- Tax on super balances above \$3m
- Compliance programs matched to the 'payday' super guarantee changes
- Reforms to how liquid natural gas projects are taxed
- Implementing a global minimum tax and a domestic minimum tax

All up, the Government expects \$13.7bn in improvements related to tax receipt measures.

# Timeline of initiatives

Initiative	From
<b>Individuals and families</b>	
Energy price plan relief	July 2023
Household energy upgrade fund	
Incentive to provide Medicare bulk billing to concession card holders and children	2022-23
Less people to pay Medicare Levy	1 July 2022
Exempting lump sum payments in arrears from Medicare Levy	1 July 2024
Increasing JobSeeker	20 September 2023
Single parent payment increase	20 September 2023
Increased rent assistance	2022-23
Scheme enabling pensioners to earn more extended	
In-home aged care increase	2023-24
Access to home guarantee scheme expanded to friends and siblings	1 July 2023
<b>Superannuation &amp; investors</b>	
Clarifying the non-arms length income rules for super funds	N/A
30% tax on super earnings above \$3m	1 July 2025
<b>Business &amp; employers</b>	
\$20,000 small business instant asset write-off	1 July 2023 (to 30 June 2024)
\$20,000 small business incentives for energy efficiency	1 July 2023 (to 30 June 2024)
Lowering tax instalments for small business	2023-24
'Payday' super - Increasing payment frequency of employee super	1 July 2026
Hybrid cars excluded from FBT exemption for electric cars	1 April 2025
Franked distributions funded by capital raisings start date	15 September 2022
Tax breaks for build-to-rent developments (where construction commences after 7:30pm AEST on 9 May 2023)	1 July 2024
15% multi-national global and domestic minimum tax <ul style="list-style-type: none"> <li>• 15% global minimum tax for large multinational enterprises <ul style="list-style-type: none"> <li>○ Income Inclusion Rule</li> <li>○ Undertaxed Profits Rule</li> </ul> </li> <li>• 15% domestic minimum tax</li> </ul>	1 January 2024 1 January 2025 1 January 2024
Heavy vehicle user charge increase	2023-24
Tax law changes for general insurers	1 January 2023
Clean building MIT withholding tax concession extended	1 July 2025
Tax treatment of exploration and mining, quarrying and prospecting rights <ul style="list-style-type: none"> <li>• Clarification of 'exploration for petroleum'</li> <li>• Clarification of tax treatment of depreciation deductions for mining, quarrying and prospecting rights</li> </ul>	Expenditure incurred from 21 August 2013 7:30pm AEST, 9 May 2023
Bringing forward tax on natural gas	2022-23
Hydrogen Headstart program	2023-24
Guarantee of Origin scheme	2023-24
Critical Technology Industry	2022-23

<b>Initiative</b>	<b>From</b>
Support for child care workforce	2022-23
15% pay increase for Aged Care Workers	2022-23
Film industry location offset rebate increase	2024-25
Streamlining excise administration for fuel and alcohol	1 July 2024
<b>Government &amp; regulators</b>	
Extending Part IVA anti-avoidance rules	1 July 2024
AAT to be replaced	2022–23 transition
Small business ATO compliance	
<ul style="list-style-type: none"> <li>• Tax agents able to lodge multiple STP forms on behalf of clients</li> <li>• Reduce the use of cheques for refunds</li> <li>• 4 year amendment period for income tax returns</li> </ul>	1 July 2024  1 July 2024 1 July 2025
Personal income tax compliance and rental property owners under scrutiny	1 July 2025
Small business lodgment penalty amnesty	Outstanding tax statements lodged from 1 June 2023 to 31 December 2023 that were originally due from 1 December 2019 to 29 February 2022
GST compliance program extended	1 July 2023
Serious Financial Crime Taskforce and Serious Organised Crime program extended and merged	1 July 2023
Anti-slavery Commissioner	2023-24
<b>Other</b>	
Support for SMEs and start-ups – industry growth program	2023-24
Cybersecurity funding	2023-24
Disruptive defence technology funding	2023-24
Direct pathway for kiwis to become Australian citizens	1 July 2023
Reintroduction of work hour cap on international student visa holders	1 July 2023
International student post-study work rights extended	1 July 2023
Increase in wage expectations for temporary skilled workers	1 July 2023
Visa application charges increase	1 July 2023
\$1bn to boost biosecurity	2023-24

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained. We are here to help, contact us today:

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