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Federal Budget

2024 - 2025

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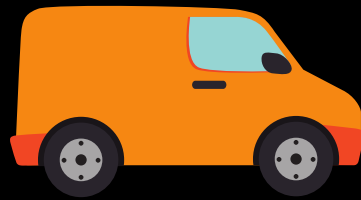
\$3.5b

new energy bill relief for both households and small businesses across Australia



13.6m

taxpayers receiving a tax cut through Stage 3 tax cuts from 1 July 2024 as previously legislated



\$20k

instant asset write-off extended until 30 June 2025, providing \$290 million in cash flow support for up to 4 million small businesses

\$6.2b

new investments in housing to clear local infrastructure bottlenecks



\$625m

investment in farmers and rural communities to assist in reducing emissions and better preparing for climate change and drought



\$22.7b

Future Made in Australia package to increase Australia's competitiveness in the global economy



Future Made in Australia
More details have been announced on the Future Made in Australia plan to attract investment in key industries, to make our country a renewable energy superpower and to strength defence capabilities and economies.

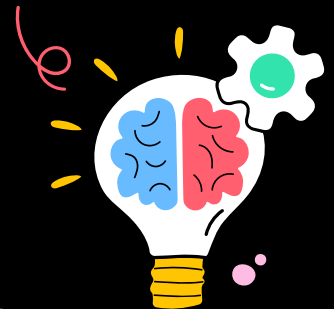
\$3b

towards cheaper medicines PBS prescriptions capped at \$31.60 this year and next, freezing the cost of medicine for pensioners and concession cardholders for 5 years.



\$500m

skills investment for priority industries, such as clean energy, construction and manufacturing



\$2.2b

investment in aged care



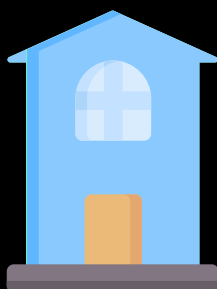
\$925m

to establish the Leaving Violence program to support women.



\$1.9b

assistance to increase the maximum rates of Commonwealth Rent Assistance by a further 10 per cent



\$1.1b

paid superannuation on government-funded paid parental leave

Introduction

Treasurer Jim Chalmers handed down the third Federal Budget from his Labor Government last night. This budget has delivered a second consecutive surplus. Many of the household support measures were released ahead of budget night, but last night, we heard a few additional measures.

Chalmers predicted slower growth in the economy, down to 1.75% in 2023-2024, acknowledging the fraught and fragile global economy. Chalmers emphasised the need for strategic planning to navigate the changing landscape. He spoke of the ongoing challenge of inflation, despite inflation having more than halved from its peak in 2022.

The Treasurer announced cost of living measures, including the previously legislated tax cuts, \$3.5 billion in energy bill relief, \$3 billion for cheaper medicines and debt relief for students. A rental assistance measure was also announced of \$1.9 billion over 5 years, increasing Government Rent Assistance maximum rates by 10% to help address rental affordability challenges. Additionally, Chalmers spoke to the Future Made in Australia plan, including the \$22.7 billion package to increase Australia's competitiveness in the global economy.

A few changes to Australia's tax system were announced, impacting both small businesses and individuals. \$290 million in cash flow support was announced for up to 4 million small businesses by extending the \$20k instant asset write-off until 30 June 2025..

No further changes to self-managed superannuation funds were announced as last year's proposed changes are still being debated in Parliament and have not yet been passed.

While this year's budget delivers a surplus, it is predicted that the next few years will deliver a deficit with what the Treasurer calls 'necessary spending'. As Australia navigates through economic uncertainties, the government says it remains committed to implementing policies that promote growth, resilience, and prosperity for all Australians. Despite the predicted shift from surplus to deficit in the coming years, the overarching goal remains clear - to prioritise sustainable growth and prosperity for all Australians.



For Individuals

Tax Rates

Stage 3 Tax Cuts will be in effect from 1 July 2024 as legislated in March 2024. These do not form part of this year's budget but are important to note going forward. Please see below for tax rates for this financial year and tax rates for next financial year.

Resident rates and thresholds for 2023-24

The 2023-24 tax rates and income thresholds for residents (unchanged since 2021-22) are:

Taxable Income (\$)	Tax Payable (\$)
0 - 18,200	Nil
18,201 - 45,000	Nil + 19% of excess over 18,200
45,001 - 120,000	5,092 + 32.5% of excess over 45,000
120,001 - 180,000	29,467 + 37% of excess over 120,000
180,001 +	51,667 + 45% of excess over 180,000



For Individuals

Resident rates and thresholds from 2024-25 onwards

No further changes to the Stage 3 personal income tax cuts, scheduled to take effect from 1 July 2024, were announced in the Budget. These tax changes, already legislated in March 2024, will result in a reduction of the 19% marginal tax rate to 16% and the 32.5% marginal tax rate to 30%. This will bring the middle tax bracket for personal income tax closer to corporate tax rates. The threshold for the 37% tax bracket will increase from \$120,000 to \$135,000. The threshold for the 45% tax bracket will increase from \$180,000 to \$190,000.

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 190,000



For Individuals

Foreign residents rates for 2023-24 (unchanged)

Taxable Income (\$)	Tax Payable (\$)
0 - 120,000	32.5%
120,001 - 180,000	39,000 + 37% of excess over 120,000
180,001 +	61,200 + 45% of excess over 180,000

Foreign residents rates from 2024-25 onwards

Taxable Income (\$)	Tax Payable (\$)
0 - 135,000	30%
135,001 - 190,000	40,500 + 37% of excess over 135,000
190,001 +	65,250 + 45% of excess over 190,000



For Individuals

Working holidaymakers rates for 2023-24 (unchanged)

Taxable Income (\$)	Tax Payable (\$)
0 - 45,000	15%
45,001 - 120,000	6,750 + 32.5% of excess over 45,000
120,001 - 180,000	31,125 + 37% of excess over 120,000
180,001 +	53,325 + 45% of excess over 180,000

Working holidaymakers rates from 2024-25 onwards

Taxable Income (\$)	Tax Payable (\$)
0 - 45,000	15%
45,001 - 135,000	6,750 + 30% of excess over 45,000
135,001 - 190,000	33,750 + 37% of excess over 135,000
200,001 +	54,100 + 45% of excess over 190,000



For Individuals

Superannuation to be paid on Commonwealth Government Funded Paid Parental Leave

Parents eligible to receive Commonwealth government-funded paid parental leave for births and adoptions on or after 1 July 2025 will also receive an additional payment based on the Superannuation Guarantee (12% from 1 July 2025) as a contribution to their superannuation fund.

This measure builds on the government's moves to modernise PPL and to progressively expand the payment to full 6 months by 2026. The combined effect of these arrangements is:

For babies born on or after	Number of weeks PPL	Superannuation contributions on PPL payments
1 July 2024	22	N/A
1 July 2025	24	12%
1 July 2026	26	12%

Energy bill relief fund

The government's existing Energy Bill Relief Fund will be further funded to provide all Australian households with a \$300 rebate on 2024-25 energy bills.



For Individuals

Strengthening the foreign resident capital gains tax regime

Foreign resident taxpayers may face increased exposure to capital gains tax in Australia, for CGT events occurring on or after 1 July 2025.

The announced changes will:

- Clarify and broaden the types of assets that foreign residents are subject to CGT on;
- Amend the way shares and other interests are analysed to determine whether they are connected to Australian land, by moving from a point-in-time principal asset test to a 365-day testing period;
- Require foreign residents disposing of shares and other membership interests exceeding \$20million in value to notify the ATO, prior to the transaction being executed.

The measures are aimed at ensuring Australia can tax foreign residents on direct and indirect sales of assets with a close economic connection to Australian land, more in line with the tax treatment that already applies to Australian residents, and consistently with OECD standards and international best practice.

Increasing the Medicare levy low-income thresholds

From 1 July 2023, the Medicare levy low-income thresholds have been increased for individuals, families and seniors and pensioners. The family income thresholds will also increase to \$4,027 for each dependant child from \$3,760.

	2022-2023	2023-2024
Individuals	\$24,276	\$26,000
Families	\$40,939	\$43,846
Seniors & Pensioners (Single)	\$38,365	\$41,089
Seniors & pensioners (Families)	\$53,406	\$57,198

For Individuals

More funding for ATO Tax Compliance programs

The government will extend the ATO Personal Income Tax Compliance Program for one year from 1 July 2027. This extension will enable the ATO to continue focusing on key areas of non-compliance, including over-claiming of deductions, notably those relating to short-term rental properties, incorrect reporting of income and inappropriate tax agent influence.

The government will also provide \$187.0 million over four years from 1 July 2024 to the ATO to strengthen its ability to detect, prevent and mitigate fraud against the tax and superannuation systems. The funding package includes:

- upgrades to information and communications technologies to enable the ATO to identify and block suspicious activity in real time;
- a new compliance workforce to recover lost revenue and intervene when attempts to obtain fraudulent refunds are made, and
- improvements to how the ATO assists individuals harmed by fraud.

As part of the anti-fraud focus, the ATO's mandatory notification period for BAS refund retention will be increased from 14 days to 30 days to align with time limits for non-BAS refunds. Legitimate refunds are expected to be unaffected, and any legitimate refunds retained for over 14 days would result in the ATO paying interest to the taxpayer (as is currently the case).

Increased ATO discretion regarding tax debts

The Commission of Taxation is to be provided discretion not to apply a taxpayer's refund to offset on-hold tax debts. This discretion can apply to individuals, small businesses and not-for-profits not to use a taxpayer's refund to offset tax debts in circumstances where the debt was on hold prior to 1 January 2017.



For SMEs and Employers

Energy bill relief fund

The government will provide \$3.5 billion over three years from 2023–24 to extend and expand the Energy Bill Relief Fund. This will provide a \$325 rebate on 2024–25 bills to around one million eligible small businesses.

Small businesses must meet their state and territory definition of electricity 'small customer', as determined by their annual electricity consumption threshold, to be eligible for a \$325 annual rebate. Eligible small businesses will receive their energy bill rebate automatically and won't be required to take any further action.

\$20,000 Instant Asset Write-off extended

The \$20,000 instant asset write-off has been extended a further 12-months until 30 June 2025 and will apply to eligible assets installed and ready for use for a taxable purpose before 30 June 2025. This measure only applies to small businesses with an aggregated turnover of less than \$10 million who have opted into simpler depreciation rules.

Under simpler depreciation rules, eligible assets exceeding the \$20,000 cost limit cannot be immediately expensed and must be placed in the small business depreciation pool which is depreciated at 15% in the first year (irrespective of date) and 30% each income year thereafter. The threshold is applied on a per asset basis.

These measures are an extension of the same rules that apply to the 2024 financial year.

Improvements to Digital Business Services

The ATO is set to receive \$155.6 million over a two-year period starting from 2024-25. This funding aims to sustain and enhance the Government's Digital ID, myGovID and the platform that facilitates authorised access to various government business services.

For SMEs and Employers

Tax incentives for industry

The Future Made in Australia package establishes time-limited incentives to invest in new industries.

A Hydrogen Production Tax Incentive will be granted to producers of renewable hydrogen to support the growth of a competitive hydrogen industry and Australia's decarbonisation, at an estimated cost to the budget of \$6.7 billion over 10 years.

Another tax incentive will support the downstream processing and refining of Australia's 31 critical minerals and investments in clean energy technology supply chains at an estimated cost to the budget of \$7.0 billion over 11 years.

Government spending on contractors and consultants cut

The government will achieve savings of \$1.0 billion over four years from 2024–25 by further reducing spending on consultants, contractors and labour hire, bringing the total savings from reducing reliance on external labour to \$4.0 billion since 2022–23.

Supporting confidence and resilience

The Small Business Debt Helpline and the Small Business Owners program will receive \$10.8 million to continue providing financial counselling and mental health support for small business owners.

The Government will also provide \$20.5 million to the Fair Work Ombudsman to help small businesses understand and comply with recent workplace relations changes.

Super, Pension and SMSF

No changes announced in relation to self-managed superannuation funds or the Superannuation Guarantee charge

There were no changes announced in this Budget in relation to taxation of self-managed superannuation funds, or the Superannuation Guarantee charge.

The government has reconfirmed its payday super proposal, which was announced in last year's budget and set to commence from 1 July 2026, by allocating funding over 4 years from 2024-25 to support implementation and compliance with these changes.

As for the announcement last year of the government's proposal to apply an additional 15% tax on superannuation "earnings" corresponding to proportion of an individual's super balance above \$3 million, this change remains scheduled for commencement from 1 July 2025. The Bills containing the amending legislation to introduce the new "Division 296 tax" were introduced to Parliament in November 2023 and are currently before the House of Representatives. The Senate Economics Legislation Committee reported on the Bills on 10 May 2024, recommending they be passed in their current form, although the Coalition and Greens Senators did not support the Bills in their current form.



Other Measures

Indexation of HELP and Student Loans

Retrospective measures to limit indexation of Higher Education Loan Program (HELP) and other student loans will apply effective from 1 July 2023. Pending legislation, this measure will limit indexation to the lower of the Consumer Price Index (CPI) or the Wage Price Index (WPI). Backdated changes to June 2023 will be indexed at the lower WPI of 3.2% opposed to the 7.1% inflation rate previously applied. The indexation rate to be applied to debts at 1 June 2024 is not yet known. There have been no changes to the debt repayments or thresholds.

Future Made in Australia

Further details of the Future Made in Australia plan were announced, focusing on building homes, developing the economy and aiming for net zero emissions by 2050. The plan involves utilising Australian energy and resources, empowering regions, supporting research and fostering workforce growth. The \$22.7 billion Future Made in Australia package aims to enhance the country's global economic presence through attracting investments, renewable energy development, defence strengthening, small business support and education reforms for a skilled workforce.

Commonwealth Prac Payment

From 1 July 2025 a Commonwealth Prac Payment of \$319.50 per week will be paid for tertiary students undertaking supervised mandatory placement as part of their nursing (including midwifery), teaching or social work studies.





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