

CPA Australia's 2024-25 Federal Budget summary

2024-25 Federal Budget: tax incentive for critical minerals; instant asset write-off extended; super, other

The government's 2024-25 budget announced a package of measures, including tax incentives for the production of critical minerals and hydrogen to support the Government's *Future Made in Australia* agenda to boost business investment. The cost of living has also been targeted with \$3.5bn in energy bill relief (including a \$300 energy rebate) and \$1.9bn for increased Commonwealth rent assistance.

A Budget surplus of \$9.3bn is forecast in 2023-24, but an underlying cash deficit of \$28.3bn is expected in 2024-25 (and a \$42.8bn deficit for 2025-26). The Budget papers note that global developments, and the combination of moderating but high inflation and higher interest rates, have resulted in lower growth with real GDP forecast to grow by 1.75 per cent in 2023-24. Real GDP is forecast to rise to 2 per cent in 2024-25 and 2.25 per cent by 2025-26. Net debt is estimated at \$500bn for 2023-24 and \$553bn in 2024-25.

While inflation is expected to remain elevated at 3.5 per cent for 2023-24, it is expected to fall to 2.75 per cent in 2024-25 and 2024-25 - within the RBA's target band of 2 to 3 per cent. The Government believes its energy bill relief and rent assistance measures will directly reduce inflation by 0.5 of a percentage point in 2024-25, and not add to broader inflationary pressures.

On the revenue side, estimated tax receipts for 2024-25 have only been upgraded by \$8.2bn since MYEFO (and \$27bn over the forward estimates), which is much smaller than recent budget updates. The Government also claims that it is supporting monetary policy, to keep the pressure off inflation, by targeting a surplus and banking 96 per cent of the tax receipt upgrades in 2023-24.

Tax-related measures announced

The major tax-related measures announced in the Budget included:

- **\$20k instant asset write-off for small businesses** - extended to 30 June 2025;
- **Tax incentives for Critical Minerals and Hydrogen production** - will operate from 2027-28 to 2040-41 to support producers of renewable hydrogen and downstream refining and processing of Australia's 31 critical minerals;
- **Foreign resident CGT rules** - the types of assets that foreign residents will be liable for will be clarified and broadened, while the point-in-time principal asset test will be amended to a 365-day testing period. Foreign residents disposing of shares and other membership interests exceeding \$20m will be required to notify the ATO prior to the transaction;
- **Medicare levy the low-income thresholds** - have been increased for 2023-24;
- **Personal income tax compliance program** - extended for one year from 1 July 2027 to target the overclaiming of deductions, incorrect reporting of income and inappropriate tax agent influence;

- **Intangible assets and significant global entities (SGEs)** - 2022-23 Budget measure dropped; a new provision will be introduced from 1 July 2026;
- **Changes to existing measures** - anti-avoidance start date changed; thin cap to exempt forestry entities from the new earnings-based rules; Commissioner's discretion to not use a taxpayer's refund to offset old tax debts; 2019-20 Budget ABN proposals dropped;
- **BAS notification period** - the time the ATO has to notify a taxpayer if it intends to retain a BAS refund for further investigation will be extended from 14 days to 30 days;
- **Charities** - transitional reporting arrangements extended for 5 years;
- **ATO Shadow Economy Compliance Program** - extended for 2 years;
- **Social security deeming rates** - frozen for a further 12 months (until 30 June 2025).

Superannuation

The superannuation measures include:

- **Super on Government Paid Parental Leave** - super to be paid on Government-funded Paid Parental Leave (PPL) for births and adoptions on or after 1 July 2025;
- **Payday Super** - no further details proposed measure but funding to improve unpaid super in bankruptcy and liquidations from 1 July 2024;
- **Super account balances above \$3m** - no further details but implementation funding to implement for public sector schemes.

Where to get Budget documents

The 2024-25 Budget Papers are available from the following website:

- Budget October 2024-25 - <https://budget.gov.au/>

More information on the tax and related announcements is also contained in a number of Budget press releases on the [Treasurer's website](#) and the [Assistant Treasurer's website](#).

PERSONAL TAXATION

Personal tax rates: Stage 3 (as revised) confirmed from 2024-25

In the 2024-25 Budget, the Government did not announce any further changes to the personal tax rates.

The Government's revised Stage 3 tax changes (as announced on 25 January 2024 and enacted into law by the *Treasury Laws Amendment (Cost of Living Tax Cuts) Act 2024*) commence from 1 July 2024.

Resident rates and thresholds - from 2024-25 onwards

The tax rates and income thresholds from the 2024-25 for residents (as already legislated) are:

Tax rates and income thresholds from 2024-25	
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

The table below compares the rates for 2023-24 with the revised rates for 2024-25. Basically, the 19% tax rate has been reduced to 16%; the 32.5% tax rate has been reduced to 30%; the 37% tax rate threshold has been increased from \$120,000 to \$135,000; and the 45% tax rate threshold has been increased from \$180,000 to \$190,000.

Summary: Tax rates and income thresholds		
Rate	2023-24	2024-25
Nil	\$0 - \$18,200	\$0 - \$18,200
16%	N/A	\$18,201 - \$45,000
19%	\$18,201 - \$45,000	N/A
30%	N/A	\$45,001 - \$135,000
32.5%	\$45,001 - \$120,000	N/A
37%	\$120,001 - \$180,000	\$135,000 - \$190,000
45%	\$180,001 +	\$190,001 +

Foreign residents

For 2024-25 and later income years, the tax rates for foreign residents are:

- \$0 - \$135,000 - 30%;
- \$135,001 - \$190,000 - 37%;
- \$190,001+ - 45%.

Working holidaymakers

For 2024-25 and later income years, the rates of tax for working holiday makers are:

- \$0 - \$45,000 - 15%;
- \$45,001 - \$135,000 - 30%;
- \$135,001 - \$190,000 - 37%;

- \$190,001+ - 45%.

Low income tax offset (unchanged)

No changes were made to the low income tax offset (LITO) in the 2024-25 Budget.

For completeness, and as a reminder, while the LMITO ceased from 1 July 2022, low and middle income taxpayers remain entitled to the low income tax offset (LITO).

Taxable income (TI)	Amount of offset
\$0 - \$37,500	\$700
\$37,501 - \$45,000	$\$700 - ([TI - \$37,500] \times 5\%)$
\$45,001 - \$66,667	$\$325 - ([TI - \$45,000] \times 1.5\%)$
\$66,668 +	Nil

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.

Source: Budget Paper No 2 [pp 12-13]

Medicare levy low-income thresholds for 2023-24

The Medicare levy low-income thresholds for 2023-24 would normally have been announced in this 2024-25 Budget. However, the Government released the 2023-24 Medicare levy thresholds on 25 January 2024 when it announced the changes to the Stage 3 tax cuts (see above). The new thresholds to provide cost-of-living relief were enacted by the *Treasury Laws Amendment (Cost of Living - Medicare Levy) Act 2024*.

From the 2023-24 income year, the Medicare levy low-income threshold for singles has been increased to \$26,000 for 2023-24 (up from \$24,276 for 2022-23). For couples with no children, the family income threshold is \$43,846 (up from \$40,939 for 2022-23). The additional amount of threshold for each dependent child or student is \$4,027 (up from \$3,760).

For single seniors and pensioners eligible for the SAPTO, the Medicare levy low-income threshold is \$41,089 (up from \$38,365). The family threshold for seniors and pensioners is \$57,198 (up from \$53,406), plus \$4,027 for each dependent child or student (up from \$3,760).

Source: Budget Paper No 2 [p 12]

Personal income tax compliance program extended

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 to deliver a combination of proactive, preventative and corrective activities in key areas of non-compliance, including overclaiming of deductions, incorrect reporting of income and inappropriate tax agent

influence. This will enable the ATO to continue its focus on emerging risks to the tax system, such as deductions relating to short-term rental properties.

This measure is estimated to increase receipts by \$180.3 million and increase payments by \$44.3 million over the 5 years from 2023-24.

Source: Budget Paper No 2 [p 15]

BUSINESS TAXATION

\$20K instant asset write-off for small businesses extended to 30 June 2025

The Government will extend the instant asset write-off concession for another 12 months.

This will allow small businesses with turnovers capped at \$10 million to immediately deduct the full cost of eligible depreciating assets costing less than \$20,000 that are first used or installed ready for use for a taxable purpose between 1 July 2024 and 30 June 2025.

Background

By way of reminder, small business entities that use the simplified depreciation rules in Subdiv 328-D are entitled to an outright deduction for the "taxable purpose proportion" of the "adjustable value" of a depreciating asset if (s 328-180(1)):

- the asset is a "low cost asset" (and is not an excluded depreciating asset); and
- the taxpayer starts to hold the asset when the taxpayer is a small business entity (and, for a limited period, if the taxpayer also qualifies as a medium sized business (see below)).

The deduction is available in the income year in which the taxpayer first uses the asset, or first installs it ready for use, for a taxable purpose. The deduction is known as the "instant asset write-off".

A depreciating asset is a low cost asset if its cost as at the end of the income year in which the taxpayer starts to use it, or installs it ready for use, for a taxable purpose is less than the relevant threshold: s 328-180.

Current status

In terms of black letter law, the increased instant asset write-off concession ceased on 30 June 2023 (see below). However, the Government announced in the 2023-24 Federal Budget (ie last year's) that it would be extended by one year, ie to finish on 30 June 2024.

That measure was contained in a Bill which is currently before Parliament, ie it is not yet law. The [**Treasury Laws Amendment \(Support for Small Business and Charities and Other Measures\) Bill 2023**](#) was passed by the Senate on 27 March 2024 with one amendment relating to the instant asset write off, which requires the imprimatur of the House.

The Senate amendment is two-fold, ie it would:

- extend the coverage from small businesses to medium businesses, ie all entities with an aggregated turnover of less than \$50 million; and
- increase the threshold from \$20,000 to \$30,000.

It is important to note that these proposed amendments have not been reflected in the 2024-25 Budget announcement, which indicates that the Government will not be supporting them in the House.

It is yet to be seen whether the Government will incorporate the 2024-25 Budget announcement into the *Small Business and Charities Bill 2023* or will re-introduce the measures for both years in a separate Bill.

Changes proposed (ie combined 2023-24 and 2024-25)

The increased threshold applies to the cost of eligible depreciating assets, eligible amounts included in the second element of the cost of a depreciating asset, and general small business pools. Depreciating assets that are first used or installed ready for use for a taxable purpose on or after 1 July 2023 will be subject to the \$20,000 threshold.

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.

Consequence for lock-out rule

The comments below are, like those above, subject to legislation which is either pending or is yet to be seen.

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 for the period of the instant asset write-off concession.

By way of background, a small business entity that elects to apply the simplified depreciation rules in an income year, and then does not choose to apply the rules for a later income year in which the entity satisfies the conditions to make this choice (ie, the entity "opted out"), is not able to apply the simplified depreciation rules for a period of 5 income years. This restriction commences from the first of the later years for which the entity could have made the choice to apply the rules. This rule is commonly referred to as the "lock-out" rule.

The operation of the lock-out rule has been modified over recent years so that small business entities did not need to apply the lock-out rule to income years if any day in the year occurs on or after 12 May 2015 and on or before 30 June 2023.

The latest amendments will suspend the operation of the lock-out rule for a combined 24 months to 30 June 2025. As a result of this, small businesses can choose to apply the small business simplified depreciation rules and take advantage of the \$20,000 threshold while it applies without being locked out.

Budget Paper No 2 [p14]

Changes to foreign resident CGT rules

The Government will amend the following areas of CGT as it applies to foreign residents, ie it will:

- clarify and broaden the types of assets that foreign residents will be liable for;
- amend the point-in-time principal asset test to a 365-day testing period; and
- require foreign residents disposing of shares and other membership interests exceeding \$20 million in value to notify the ATO, prior to the transaction being executed.

The intention is two-fold.

First, it is designed to ensure that 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.

Second, the new ATO notification process will improve oversight and compliance with the foreign resident CGT withholding rules, where a vendor self-assesses their sale is not taxable real property.

It is also stated that the reforms will "also improve certainty for foreign investors by aligning Australia's tax law for foreign resident capital gains more closely with OECD standards and international best practice".

The measures are estimated to increase receipts by \$600.0 million and increase payments by \$8.0 million over the 5 years from 2023-24.

Date of effect

The amendments will apply to CGT events commencing on or after 1 July 2025.

The Government will issue a consultation paper on this.

Source: Budget Paper No 2 [pp 17-18]

Critical Minerals and Hydrogen Production tax incentives: other *Future Made in Australia* incentives

The Government will provide two tax-related incentives relating to its *Future Made in Australia* program. There are no specific details in the Budget Papers as to how these incentives will be implemented.

Critical Minerals Production tax incentive

A Critical Minerals Production Tax Incentive will operate from 2027-28 to 2040-41 to support downstream refining and processing of Australia's 31 critical minerals to improve supply chain resilience, at an estimated cost to the budget of \$7.0 billion over 11 years from 2023-24 (and an average of \$1.5 billion per year from 2034-35 to 2040-41).

Hydrogen Production tax incentive

A Hydrogen Production Tax Incentive from 2027-28 to 2040-41 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 from 2024-25 (and an average of \$1.1 billion per year from 2034-35 to 2040-41).

Other *Future Made in Australia* program related measures

- \$1.7 billion funding over 10 years from 2024-25 for investments in innovation, science and digital capabilities;
- \$19.7 billion over 10 years from 2024-25 to accelerate investment in *Future Made in Australia* priority industries, including renewable hydrogen, green metals, low carbon liquid fuels, refining and processing of critical minerals and manufacturing of clean energy technologies including in solar and battery supply chains;
- \$17.3 million over 4 years from 2024-25 (and \$3.1 million per year ongoing) to promote the development of sustainable finance markets in Australia;
- \$182.7 million over 8 years from 2023-24 (and \$4.5 million ongoing from 2031-32) to strengthen approval processes to support the delivery of the Government's *Future Made in Australia* agenda;
- \$218.4 million over 8 years from 2023-24 (and \$1.3 million per year ongoing) to support a *Future Made in Australia* through the development of a skilled and diverse workforce and trade partnerships.

Source: Budget Paper No 2 [p 68]

Intangible assets and SGEs: 2022-23 Budget measure dropped, new regime implemented

In the 2022-23 Budget, the Government proposed introducing an anti-avoidance rule to prevent significant global entities (ie entities with global revenue of at least \$1 billion) from claiming tax deductions for payments made directly or indirectly to related parties in relation to intangibles held in low- or no-tax jurisdictions. For the purposes of this measure, a low- or no-tax jurisdiction is a jurisdiction with:

- a tax rate of less than 15%; or
- a tax preferential patent box regime without sufficient economic substance.

The 2024-25 Budget papers confirm that the measure will be "discontinued" as it will now be addressed through the *Global Minimum Tax and Domestic Minimum Tax* being implemented by the Government.

The Government will also introduce a new provision from 1 July 2026 that applies a penalty to taxpayers who are part of a group with more than \$1 billion in global turnover annually that are found to have mischaracterised or undervalued royalty payments, to which royalty withholding tax would otherwise apply.

The above item appears under the blanket heading of "Amendments to existing measures".

Source: Budget Paper No 2 [p 11]

Changes to existing measures: anti-avoidance; thin cap and forestry; other

The Budget Papers set out changes the Government proposes to make to existing measures. Most have already been previously flagged or released, but are included here for completion.

Anti-avoidance

The Government will amend the start date of the Pt IVA changes proposed in the 2023-24 Budget from 1 July 2024 to income years commencing on or after the day the amending legislation receives assent, regardless of whether the scheme was entered into before that date.

As a reminder, the Government proposed in the 2023-24 Federal Budget to extend Pt IVA to:

- schemes that reduce tax paid in Australia by accessing a lower withholding tax rate on income paid to foreign residents; and
- schemes that achieve an Australian income tax benefit, even where the dominant purpose was to reduce foreign income tax.

Thin cap changes: exemption for plantation forestry entities

The Government will amend Australia's interest limitation (thin capitalisation) rules to exempt Australian plantation forestry entities from the new earnings-based rules, allowing these entities to continue to apply the former asset-based thin capitalisation rules.

ATO's discretion to apply tax refunds against old tax debts

Amend the tax law to give the Commissioner a discretion to not use a taxpayer's refund to offset old tax debts, where the Commissioner had put that old tax debt on hold prior to 1 January 2017.

This discretion will apply to individuals, small businesses and not-for-profits, and is stated to be maintaining the Commissioner's current administrative approach.

2019-20 Budget ABN proposals dropped

The 2019-20 Budget proposed imposing new compliance obligations for ABN holders to retain their ABN. Currently, ABN holders are able to retain their ABN regardless of whether they are meeting their income tax return lodgment obligation or the obligation to update their ABN details. The measure proposed that ABN holders with an income tax return obligation to lodge their income tax return and from 1 July 2022 confirm the accuracy of their details on the Australian Business Register annually.

The 2024-25 Budget Papers state that such "integrity issues are being addressed through enhanced administrative processes implemented by the ATO".

Other

- Make minor amendments to the start date of certain components of the 2022-23 March Budget measure *Streamlining excise administration for fuel and alcohol package*.

- The Government will permanently abolish 457 nuisance tariffs from 1 July 2024.
- Extend refunds of indirect tax (including GST, fuel and alcohol taxes) under the Indirect Tax Concession Scheme ("ITCS").
- The Government will provide income tax exemptions to World Rugby and/or related entities for income derived in relation to the Rugby World Cup 2027 (men's) and Rugby World Cup 2029 (women's) events.
- The Government will make changes to the agricultural levy and charge on sweet potatoes (at the request of Australian Sweetpotato Growers Inc).

Charity transitional reporting arrangements extended; update to specifically listed DGRs

The Government will remake the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Regulation 2016* with an extension of the current charity transitional reporting arrangement for 5 years.

New DGR entities

The Government has provided an update of organisations approved as specifically listed deductible gift recipients (DGRs) for the following entities:

- The Hillview Foundation Australia Limited for gifts received from 1 July 2024 to 30 June 2029;
- Skip Foundation Ltd for gifts received from 1 July 2025 to 30 June 2030 (subject to conditions, below);
- Combatting Antisemitism Fund Limited for gifts received from 1 July 2025 to 30 June 2030.

The listing of Skip Foundation Ltd is subject to the condition that DGR funds can only be used for purposes consistent with existing DGR categories in the tax law, and it will maintain minimum annual distributions consistent with the current requirements for ancillary funds.

In addition, the listing of both the Combatting Antisemitism Fund Limited and Skip Foundation Ltd is subject to charity registration with the ACNC.

The Government has also approved DGR status for the Australian Muslim Advocacy Network's AMAN Foundation Ltd.

Delisted funds

The Government will also remove the following specifically listed DGRs as the organisations are no longer operating.

- Don Chipp Foundation Ltd
- Ian Clunies Ross Memorial Foundation
- Ian Thorpe's Fountain for Youth
- Layne Beachley – Aim for The Stars Foundation Limited
- National Congress of Australia's First Peoples Limited

- Sir William Tyree Foundation
- SouthCare Helicopter Fund Pty Limited
- The Lingiari Policy Centre Limited

Source: Budget Paper No 2 [pp 13-14]

ATO funding to counter fraud; BAS notification period extended

The Government will extend the time the ATO has to notify a taxpayer if it intends to retain a BAS refund for further investigation. 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.

The extended period will strengthen the ATO's ability to combat fraud during peak fraud events like the one that triggered Operation Protego. Legitimate refunds will be largely unaffected. Any legitimate refunds retained for over 14 days would result in the ATO paying interest to the taxpayer (as is currently the case). The ATO will publish BAS processing times online.

Increased funding to counter fraud

The Government will provide \$187.0 million over 4 years from 1 July 2024 to the ATO to strengthen its ability to detect, prevent and mitigate fraud against the tax and superannuation systems. Funding includes:

- \$78.7 million for upgrades to information and communications technologies to enable the ATO to identify and block suspicious activity in real time;
- \$83.5 million for a new compliance taskforce to recover lost revenue and intervene when attempts to obtain fraudulent refunds are made;
- \$24.8 million to improve the ATO's management and governance of its counter-fraud activities, including improving how the ATO assists individuals harmed by fraud.

Source: Budget Paper No 2 [pp 15-16]

Shadow Economy Compliance Program and Tax Avoidance Taskforce both extended

The Government will extend the ATO Shadow Economy Compliance Program for 2 years from 1 July 2026. This measure is estimated to increase receipts by \$1.9 billion and increase payments by \$610.2 million over the 5 years from 2023-24. This includes an increase in GST payments to the States and Territories of \$429.6 million.

It will also extend the ATO Tax Avoidance Taskforce for two years, also from 1 July 2026. The Taskforce focuses on multinationals, large public and private businesses and high-wealth individuals. This measure is estimated to increase receipts by \$2.4 billion and increase payments by \$1.2 billion over the 5 years from 2023-24.

Source: Budget Paper No 2 [pp 16-17]

ATO funding for MyGov, eInvoicing

- The ATO will receive \$155.6 million over 2 years from 2024-25 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.
- It will also receive \$23.3 million over 4 years from 2024-25 to continue to oversee and operate the secure eInvoicing network.

Source: Budget Paper No 2 [p 97, 180]

SUPERANNUATION

Paying super on Government Paid Parental Leave from 1 July 2025 confirmed

The Budget confirmed the proposal to pay superannuation on Government-funded Paid Parental Leave (PPL) for births and adoptions on or after 1 July 2025. From that time, the super guarantee (SG) rate will be 12% (up from 11.5% for 2024-25). Therefore, eligible parents will receive an additional payment (12% of their PPL payments) as a contribution by the Government to their superannuation fund.

As previously announced by the Treasurer on 7 March 2024, this measure seeks to build on the Government's work to "modernise" PPL and expand the payment to a full 6 months by 2026.

The *Paid Parental Leave Amendment (More Support for Working Families) Act 2024*, which received assent on 20 March 2024, expanded the *Paid Parental Leave Act 2010* to give families an additional six weeks of PPL. Effective from 1 July 2024, families will have access to an extra two weeks of leave (22 weeks total). This will increase to 24 weeks from July 2025 and 26 weeks from July 2026. At the time, the Treasurer said this builds on changes which commenced in July 2023 to give more families access to the payment, including through a "more generous" \$350,000 family income test.

The Government will provide \$1.1bn over 4 years from 2024-25 (and \$0.6bn per year ongoing) to pay the 12% superannuation on the government-funded PPL scheme from 1 July 2025.

The Government's payment of super on its PPL scheme is expected to increase tax receipts by \$155m over two years from 2026-27. Presumably this extra revenue will be from the 15% tax paid by super funds on the Government's super contributions under its PPL scheme.

Date of effect

Superannuation payable on Government-funded PPL scheme or births and adoptions on or after 1 July 2025.

Source: Budget Paper No 2 [p 166]; Glossy Overview, Budget 2024-25

Payday Super: no further details but funding to improve unpaid super in bankruptcy

The Budget papers did not reveal any further details on the Government's proposal to require all employers to pay their employees' super guarantee (SG) at the same time as their salary and wages from 1 July 2026 (see below). However, the Government said it will provide \$111.8m over 4 years from 2024-25 (and \$12.4m per year ongoing) to progress its workplace relations agenda, including:

- **Payday super** - \$60m will be provided over four years from 2024-25 to increase the Productivity, Education and Training Fund to support practical activities by employer and worker representatives to boost workplace productivity and engage in tripartite cooperation. The Government said this will also support workplaces to implement policy changes, such as Payday Super (see below);
- **Unpaid super in bankruptcy and liquidations** - the Government intends to recalibrate the Fair Entitlements Guarantee Recovery Program to pursue unpaid superannuation entitlements owed by employers in liquidation or bankruptcy from 1 July 2024. This is expected to achieve efficiencies of \$13m over 4 years from 2024-25 (and \$29.9m over the medium term) through an expected increase in tax receipts of \$63.1m over 4 years from 2024-25 (and \$114.4m over the medium term), with \$44.4 million over 4 years from 2024-25 (and \$96.9m over the medium term) expected to be paid to superannuation funds;
- **Fair Work non-compliance by large corporates** - \$27.5m over 4 years from 2024-25 (and \$7m per year ongoing) will be provided to enable the Fair Work Ombudsman to continue targeting non-compliance with the Fair Work Act 2009 by large corporate employers;
- **Small business support for workplace law changes** - \$20.5m over 4 years from 2024-25 (and \$5.1m per year ongoing) will be provided to boost funding for the Office of the Fair Work Ombudsman to support small business employers to comply with recent changes to workplace laws;

Source: Budget Paper No 2 [pp 95-96]

Super account balances above \$3m - implementation funding for public sector schemes

The Budget papers did not reveal any further details on the Government's proposal to apply an additional 15% tax on superannuation "earnings" (including unrealised capital gains) corresponding to the percentage of an individual's super balance that exceeds \$3m for an income year commencing from 1 July 2025: proposed Div 296 of the ITAA 1997.

However, the Government said it would provide \$9.2m over the forward estimates (and \$1.1m per year ongoing) to the Commonwealth Superannuation Corporation and the Department of Finance to implement the measure for members of the Commonwealth defined benefit superannuation scheme.

This 2023-24 Budget measure is contained in the *Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023*, *Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) Bill 2023* and related draft regulations (for defined benefit funds). These Bills are currently before the House of Reps. The Senate Economics Legislation Committee published a report on 10 May 2024 with the majority recommending that the Bills be passed but the Coalition and Greens Senators did not support the Bills in their current form.

Source: Budget Paper No 2 [p 99]

OTHER MEASURES

Funding for new Administration Review Tribunal (replacement for the AAT)

The Government will provide \$1.0 billion over 5 years from 2023-24 (with \$210.8 million per year ongoing from 2028-29 and an additional \$194.2 million from 2028-29 to 2035-36) to establish and support the sustainable operation of the new Administrative Review Tribunal ("ART"), replacing the AAT. Some of the funding will be used to clear court backlogs associated with high numbers of applications for judicial review of migration decisions.

Source: Budget Paper No 2 [p 49]

Increased funding for anti-money laundering and anti-terrorism financing enforcement

The Government will provide \$168.0 million over 4 years from 2024-25 to implement reforms to strengthen Australia's *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*, to enhance Australia's ability to detect and disrupt illicit financing.

Funding includes:

- \$160.8 million over 2 years from 2024-25 for the Australian Transaction Reports and Analysis Centre to expand its regulatory, intelligence and data capabilities and provide guidance to newly regulated entities; and

- \$7.0 million over 4 years from 2024-25 for the Attorney-General's Department to support the implementation of the legislative reforms through the provision of policy and legal advice and stakeholder consultation, and to deliver a program of anti-money laundering and counter-terrorism financing capacity building in the Pacific.

Source: Budget Paper No 2 [p 45]

HECS/HELP debts: no further details in Budget papers

There are no further details contained in the Budget paper dealing with the **announced changes** to the way that the indexation factor applied to HELP debts will be calculated.

However, the Budget papers did include additional funding of \$239.7 million over 5 years from 2023-24 (and an additional \$250.5 million from 2028-29 to 2034-35) to tertiary institutions to cover the impact of the changes. The Papers note that the measure is estimated to reduce outstanding loans by around \$3.0 billion.

An outline of the proposed changes is set out below.

Background

A student who receives a HELP loan under any of the student loan schemes has an "accumulated HELP debt" with the ATO. The loan is subject to yearly indexation, but is otherwise interest-free.

Loans that are covered by the system include the following:

- HECS-HELP;
- FEE-HELP;
- OS-HELP;
- SA-HELP;
- Student Start-up Loan (SSL) Scheme;
- ABSTUDY Start-up Loan (ABSTUDY SSL) Scheme; and
- Australian apprenticeship support loan (AASL) scheme (renamed from the Trade Support Loan (TSL) Scheme).

HELP, VSL, SSL and AASL debts are repaid through the tax system (voluntary repayments can be made at any time).

The amount to be repaid each year is a percentage of the taxpayer's HELP repayment income (and is notified on the income tax assessment for the year). The percentage increases as the HELP repayment income increases. The "HELP repayment income" is effectively the sum of taxable income, reportable fringe benefits total, net exempt foreign employment income, reportable superannuation contributions and total net investment losses.

Indexation is applied to any HECS/HELP debt that's older than 11 months, once a year on 1 June. The CPI number is currently used to index debts and it was recently announced that debts will increase by 4.7% on 1 June 2024. In addition, inflation pushed

the indexation rate for 2022-23 debts to 7.1%, the highest since 1990. This generated much negativity and the Prime Minister subsequently announced that "there'd be help on HECS" as part of the Budget.

Indexation changes

The Ministers' media release flags two proposed changes (which require legislative amendments to the *Higher Education Support Act 2003*).

First, the indexation factor will be the lower of the CPI or the Wages Price Index ("WPI"). The quarterly WPI measures 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 (or "basket") of jobs. More can be found about it on the [ABS website](#).

Second, the change will be backdated to 2022-23, ie the new system will apply to the 2022-23, 2023-24 and following years (noting again that the factor is applied to debts on 1 June, not 1 July).

The proposal has a number of possible ramifications (ie which can only be confirmed then the legislation is introduced into Parliament).

As the WPI was lower than the CPI in 2022-23, the indexation that was applied on 1 June 2023 will be retrospectively cut from 7.1% to 3.2%. This means that students with an outstanding debt will have it reduced with effect from 1 June 2023. Those students who have subsequently paid off their HECS debt based on the 7.1% rate presumably will be eligible for some sort of refund.

The March quarter WPI data is needed to calculate the 1 June 2024 indexation. This is not available until 15 May, ie the day after the Budget is handed down. The CPI rate is 4.7% (above), so the WPI rate has to be less for this for it to be applied to debts in place of the CPI rate. So, in summary, the indexation rate to be applied to 1 June 2024 debts is not known at the time of publication.

Social security deeming rates frozen for a further 12 months (until 30 June 2025)

The Government announced that it will extend the freezing of the social security deeming rates at their current levels for a further 12 months until 30 June 2025 to help with cost-of-living pressures.

In the lead up to the 2022 Federal Election both Labor and the Coalition agreed to freeze the social security deeming rates for two years (which was set to expire on 30 June 2024).

While the deeming rates were frozen at 0.25% (below the threshold) and 2.25% (above the threshold), the applicable thresholds are still indexed. Since 1 July 2023, the threshold amount for financial investments is \$60,400 (for single pensioners) and \$100,200 (for pensioner couples).

Deeming rate	Financial assets	
	Single (\$)	Couple (\$)
0.25%	0 - 60,400	0 - 100,200
2.25%	60,401+	100,201+

For the purposes of the social security income and assets tests, the deeming rules in the Social Security Act 1991 provide that any financial investments are earning a certain rate of income, no matter what (if any) income they are actually earning. If the actual income pensioners receive from their investments is more than the deemed income, the extra income is not counted when assessing their rate of pension, benefit or allowance.

Source: Budget Paper No 2 [p 171]

Social security means testing for impact of *Douglas* on military benefits

The Government will implement a social security means test treatment for the military invalidity payments affected by the Full Federal Court's decision in *FCT v Douglas* (2020) 112 ATR 602; [2020] FCAFC 220. That case concerned the taxation of a lump sum payment paid to a former ADF member in arrears of invalidity benefits under the *Defence Force Retirement and Death Benefits Act 1973* (DFRDB Act) and the taxation of invalidity pensions under the *Military Superannuation and Benefits Act 1991* (MSB Act).

The Government said its proposed social security means test treatment will ensure that the *Douglas* decision does not affect income support payment rates for veterans who receive an invalidity payment from the MSB Scheme and the DFRDB Scheme, compared to the pre-*Douglas* arrangements. A total of \$11.9m will be provided over 5 years from 2023-24 (and \$0.9m per year ongoing) to implement the measure.

Source: Budget Paper No 2 [p 171]

Energy relief payments extended: small business included

The Government will provide \$3.5 billion over 3 years from 2023-24 to extend and expand the Energy Bill Relief Fund to provide a \$300 rebate to all Australian households and a \$325 rebate to businesses on small customer electricity plans on 2024-25 bills.

Source: Budget Paper No 2 [pp 179-180]

Duty free status for Ukraine imports extended

The Government will extend the duty exemption for Ukrainian goods in response to Russia's military action by a further 2 years, to 3 July 2026.

This measure applies a "free" rate of duty to all goods that are the produce or manufacture of Ukraine except for excise-equivalent goods, such as certain alcohol, fuel, tobacco and petroleum products, which will remain subject to excise-equivalent customs duty.

Source: Budget Paper No 2 [p 9]

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