



**Federal Budget 2024-25**

A Future Made in Australia

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# Individuals



## Snapshot

Personal tax rate changes from 1 July 2024 will proceed as previously announced and legislated

A number of cost of living support measures have been announced, including energy bill relief, rental relief and student debt relief

A new National Innovation visa has been introduced to replace the current Global Talent visa from late 2024, and there are changes to the work experience requirement for Temporary Skill Shortage (subclass 482) visa

## Personal taxation

### Personal tax rates from 1 July 2024

The Stage 3 personal tax cuts as enacted on 5 March 2024 will result in the following new rates and thresholds from 1 July 2024. No further changes to the rates and thresholds have been announced.

Rate (%)	Current Income range (\$)	From 1 July 2024 Income range (\$)
Tax free	0—18,200	0—18,200
16		18,201—45,000
19	18,201—45,000	
30		45,001—135,000
32.5	45,001—120,000	
37	120,001—180,000	135,001—190,000
45	>180,000	>190,000

### Funding to extend the ATO Personal Income Tax Compliance Program

The government will extend the ATO Personal Income Tax Compliance Program for one further year from 1 July 2027. This extension will enable the ATO to continue to monitor key areas of non-compliance, including overclaiming of deductions, incorrect reporting of income and inappropriate tax agent influence. The ATO will continue its focus on emerging risks to the tax system, such as deductions relating to short-term rental properties. For more information on ATO funding – see our Business Taxes chapter.

## Cost of living responses

### Energy bill relief

The government will provide \$3.5 billion of energy bill relief by way of a rebate to all Australian households (\$300 rebate) and eligible small businesses (\$325 rebate) on 2024-25 bills.

### Rental relief

The government will provide \$1.9 billion over five years from 2023-2024 (and \$0.5 billion per year ongoing from 2028-29) to increase all Commonwealth Rent Assistance maximum rates by way of a further 10% (in addition to the 15% increase in the previous Federal Budget) from 20 September 2024.

### HELP indexation changes

The Federal Budget confirmed the previously [announced](#) measure to cap the Higher Education Loan Program (HELP) indexation rate to the lower of either the Consumer Price Index (CPI) or the Wage Price Index (WPI) with effect from 1 June 2023 (subject to the passage of legislation).

The government will backdate this relief to all HELP, VET Student Loan, Australian Apprenticeship Support Loan and other student support loan accounts that existed on 1 June 2023.

### Cost of living support for teachers, nursing and social work students

As [announced](#) on 6 May 2024, the Federal Government will provide \$1.1 billion over five years from 2023-24 (and an additional \$2.7 billion) from 2028-29 to 2034-35) for a new Commonwealth Practical Payment of \$319.50 per week to support students undertaking supervised mandatory placements as part of their teaching, nursing, midwifery or social work studies.

The payment will be means-tested and available from 1 July 2025 and will be in addition to any income support a student may also receive.

### Targeted support for JobSeeker Payment recipients with a partial capacity to work

The Government is providing \$41.2 million over five years to extend eligibility for the existing higher rate of the JobSeeker Payment. This will provide a boost of at least \$54.90 per fortnight to eligible recipients with a partial capacity to work of zero to 14 hours per week.

## Superannuation

### Superannuation on paid parental leave

As [announced](#) on 7 March 2024, the Federal Government will pay superannuation on the government-funded Paid Parental Leave (PPL), which will be administered by the ATO from 1 July 2025.

Further details have been released in the Federal Budget including the expected cost which is estimated as an initial cost of \$1.1 billion for parents of babies born or adopted on or after 1 July 2025.

### Freezing social security deeming rates

Social security deeming rates will be frozen at their current levels for another 12 months to 30 June 2025. This measure is to support Age Pensioners and other income support recipients who rely on income from deemed financial investments together with their payment to manage cost of living pressures.

## Immigration

The 2024-25 permanent Migration Program planning level will be set at 185,000 places with 70% of these places allocated to the Skill stream.

The Federal Government will introduce changes to the migration program to address skill shortages and attract exceptional talent. These include:

- Introducing a new National Innovation visa to replace the Global Talent visa from late 2024 targeting exceptionally talented migrants who will drive growth in sectors of national importance
- Reducing the work experience requirement for the Temporary Skill Shortage (subclass 482) visa from two years to one year for all applicants from 23 November 2024
- Introducing a new Mobility Arrangement for Talented Early-professionals Scheme (MATES) for 3,000 Indian graduates and early career professionals (aged 18 to 30 years)
- Ceasing the Business Innovation and Investment visa program.

To further reform Australia's migration system, the government will allocate \$1.9 million in 2024-25 to conduct a data-matching pilot between the Department of Home Affairs and the Australian Taxation Office of income and employment data.



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# Business taxes



## Snapshot

Denial of deductions for intangible related payments after 1 July 2023: will not proceed

New penalty regime for mischaracterised and undervalued royalty arrangements

Expanded Part IVA start date to be deferred until after Royal Assent (in place of 1 July 2024)

The application of CGT to non-residents to be expanded

The Small Business Instant Asset write off is to be extended for another year

Four ATO compliance programs have been announced or extended with associated funding, directed at personal income tax, countering fraud, shadow economy compliance and tax avoidance

Production Tax Incentives for Critical Minerals and Hydrogen, as part of A Future Made in Australia, is largely left to the future (after the forward estimates period)

## International taxation developments

### Intangibles and royalties

The Government will not proceed with the October 2022-23 Budget announcement to deny deductions relating to intangibles held in low/no tax jurisdictions. This was announced to commence from 1 July 2023 and has been the subject of two Exposure Drafts. No legislation has been introduced. This is a sensible decision given the delay in developing the law and given that Australia's Pillar Two response, effective from 1 January 2024, will largely address these concerns.

A new royalty-related measure has been announced, effective from 1 July 2026. A penalty will be imposed on SGEs that have "mischaracterised or undervalued royalty payments to which royalty withholding tax would otherwise apply". This appears to be an additional or increased administrative penalty over and above the tax due.

### Part IVA changes to be deferred

The Government previously announced in the 2023-24 Budget a proposal to expand Part IVA to address:

- 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 proceed with no change in scope but with a delayed start date. The measure was originally announced to apply to years commencing on or after 1 July 2024 but commencement will now be deferred to years commencing on or after the date of Royal Assent. As previously announced, the measure will apply irrespective of when the scheme was entered into.

Although the start date has been helpfully delayed given the absence of law some 12 months after the announcement, caution needs to be exercised as the measure once operative can apply to pre-existing schemes where a relevant tax benefit arises in a year commencing after Royal Assent.

### **Non-resident CGT**

A number of changes will be made to Division 855 dealing with the application of capital gains tax to non-residents. As a general proposition, a capital gain made by a non-resident is disregarded except where the relevant asset is “taxable Australian property”.

The new measures will apply to CGT events on or after 1 July 2025.

The announcement states that amendments will “clarify and broaden the types of assets that foreign residents are subject to CGT on” and 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”.

Further, the principal asset test in connection with the definition of indirect Australian real property interest will be modified from a test to be done at a particular time to instead require a “365 day testing period”. This will more closely align the principal asset test with the equivalent treaty concepts in most recent treaties.

Separately, foreign residents disposing of shares and other membership interests exceeding \$20 million in value will be required to notify the ATO prior to the transaction being executed. The Budget announcements state that 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”.

## **Small and medium business tax measures**

### **Instant asset write off**

The Small Business Instant Asset write off is to be extended for another year.

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

The Instant Asset write off announcement from Federal Budget 2023-24 (9 May 2023) is still not legislated. The Government has introduced [Treasury Laws Amendment \(Support for Small Business and Charities and Other Measures\) Bill 2023](#) which includes the measure. This bill passed the Senate on 27 March 2024 but only after Coalition amendments (extending it to asset cost of \$30,000 and to medium businesses). The bill will need to return to the House of Representatives for acceptance or rejection of the amendments before becoming law.

## **Strengthening tax compliance**

### **A range of compliance programs and associated funding**

The Budget proposes funding or continued funding for four compliance programs targeted at:

1. Personal income tax compliance: program to be extended for one year from 1 July 2027
2. Countering fraud from 1 July 2024: measures to detect, prevent and mitigate fraud
3. Shadow Economy Compliance Program: to be extended for two years from 1 July 2026
4. Tax Avoidance Taskforce: to be extended for two years from 1 July 2026. This will continue to target multinationals, large public and private businesses and high wealth individuals.

The respective targeted revenues and ATO funding over the forward estimates are shown below:

2023-24 to 2027-28		
	Forecast receipts (\$)	ATO funding (\$)
Personal income tax compliance	180 million	44 million
Countering fraud	302 million	187 million
Shadow Economy Compliance Program	1.9 billion	610 million
Tax Avoidance Taskforce	2.4 billion	1.2 billion

## Future Made in Australia

### Key spending measures

As was well flagged before Budget night, the Future Made in Australia plan seeks to attract and enable long-term investment in renewable energy and create value-add to our resources sectors. The Future Made in Australia agenda is now taking steps to encourage significant private sector investment into priority industries that are viewed as necessary to ensure Australia’s future prosperity. As part of the Budget, a National Interest Framework supporting paper has been published with Treasury responsible for the operation of the Framework. Further details will be made available and consulted on as part of the Future Made in Australia legislative package. Five priority industries are aligned with the National Interest Framework being:

- Renewable hydrogen
- Critical minerals processing
- Green metals
- Low carbon liquid fuels
- Clean energy manufacturing, including battery and solar panel supply chains.

Within these priority industries, some of the key spending measures that have been announced to date include:

- ARENA Funding: \$3.2 billion, including the new \$1.7 billion Future Made in Australia Innovation Fund for innovative technologies in green metals, batteries, and low carbon fuels
- Hydrogen Incentives: \$1.3 billion for early industry movers via the Hydrogen Headstart program
- Clean energy manufacturing: \$1.4 billion investment including into the Solar Sunshot program (\$836 million) and Battery Breakthrough initiative (\$523 million)
- Sovereign Defence Industrial Priorities: \$165.7 million of support to scale businesses
- Critical Minerals investment: Strategic investment in priority projects via the Critical Minerals Facility (\$655 million) and Northern Australian Infrastructure Facility (\$400 million).

### Production tax incentives: critical minerals and hydrogen

In connection with “Making Australia a renewable Energy Superpower”, the Government announced a Critical Minerals Production Tax Incentive and a Hydrogen Production Tax Incentive.

The two measures have minimal revenue impact in the forward estimates to 2027-28. Details of the programs are subject to consultation along with proposals to provide further incentives to support efficient production of green metals and low carbon liquid fuels.

Both are to apply between 2027-28 to 2040-41.

The Critical Minerals Production Tax Incentive is directed at supporting downstream refining and processing of 31 critical minerals. It will provide a production incentive valued at 10% of relevant processing and refining costs for Australia’s 31 critical minerals and be applicable for up to 10 years per project, for production between 2027–28 and 2039–40 by projects that reach final investment decisions by 2030. It has an associated revenue impact of \$7 billion over 11 years from 2023-24.



The Hydrogen Production Tax Incentive is directed at producers of renewable hydrogen and at supporting growth of a competitive hydrogen industry and Australia's decarbonisation. The associated revenue impact is \$6.7 billion over 10 years from 2024-25. The Budget announcement indicates that the measure will provide a \$2 incentive per kilogram of renewable hydrogen produced for up to 10 years per project, between 2027-28 and 2039-40, for projects that reach final investment decision by 2030.

### **Changes to Australia's foreign investment framework**

On 1 May 2024, and packaged up with the Future Made in Australia announcements, the Government formally announced the proposed changes to Australia's Foreign Investment Framework. The policy "will focus scrutiny on high-risk investments to protect our national interest, while streamlining low-risk investments to bring in the capital Australia needs quickly". Additional funding of \$15.7 million will be provided to Treasury to deliver these changes.

The policy includes a list of tax characteristics that may be considered high risk and where additional scrutiny will be applied:

- Internal reorganisations or other intragroup transactions which may represent initial steps of a planned broader arrangement resulting in avoidance of Australian tax
- Pre-sale structuring of Australian assets that present risks to tax revenue on disposal by Private Equity or other investors
- The use of related party financing arrangements to reduce Australian income tax or avoid withholding tax (noting recent strengthening of Australia's thin capitalisation rules)
- Facilitation of migration of assets (for example, intellectual property) to offshore related parties in jurisdictions with effective low taxation.

A particular focus is on investments that are structured through effective low or no tax jurisdictions where there is limited relevant economic activity taking place.

The Government is streamlining consultation and assessment processes for foreign investment proposals, to enable low-risk capital to flow quickly. To support this, Treasury will adopt a new performance target of processing 50 per cent of investment proposals within the 30-day statutory decision period from 1 January 2025. In addition, refunds of 75% of application fees will be provided for foreign investments that do not proceed because the investor was unsuccessful in a competitive bid process.

As announced in December 2023, investment in established Build to Rent developments will be encouraged by allowing foreign investors to buy established Build to Rent developments and applying lower application fees, conditional on the property continuing to be operated as a Build to Rent development.

### **Establishing a single front door for major investors**

The Treasurer has announced in a press release here that the government will establish a new front door for investors with major, transformational investment proposals. The front door will streamline how investors and business interact with the Government, helping them navigate approvals processes and fast-track major projects where possible. The approach to delivering an effective front door will be developed in consultation with investors, businesses, governments, unions, communities and other experts over the course of 2024.

The front door will:

- Provide a single point of contact for investors and companies with major investment proposals
- Deliver a joined-up approach to investment attraction and facilitation
- Identify priority projects related to the Government's Future Made in Australia agenda
- Support accelerated and coordinated approvals decisions
- Connect investors with the Government's specialist investment vehicles.

## Indirect taxes

### Additional funding to ATO to support increased use of e-invoicing

The Government will provide \$23.3 million over four years from 2024–25 for the ATO to continue to oversee and operate the secure e-invoicing network. This extra funding is expected to support increased e-invoicing adoption to improve cash flow, disrupt payment redirection scams and boost productivity for small businesses. This is a significant increase compared to prior years, which may suggest further e-invoicing developments. This is a common priority impacting businesses globally.

### Removal of nuisance import tariffs

The Government will permanently abolish 457 “nuisance” tariffs effective 1 July 2024. This measure will involve replacing the 5% rate of duty with the “free” rate for 457 tariff lines in the Australian customs tariff. The goods imported under the affected tariff lines are already largely eligible for existing tariff preferences or concessions. Changing the tariff rate to free for the affected goods is expected to simplify compliance and reduce costs for importers. This measure was previously announced on 11 March 2024.

### Streamlining excise administration for fuel and alcohol: timing changes

The Government will amend the start date of certain components of the 2022–23 March Budget measure ‘Streamlining excise administration for fuel and alcohol package’:

- Streamlined licence application and renewal requirements will commence on the later of 1 July 2024 (the current start date) or the day following Royal Assent for the legislation
- The requirement for the ATO to publish on its website a public register of excise licences and excise equivalent warehouse licences will apply from 30 days after commencement of the legislation
- The removal of regulatory barriers applying to bunker fuels for commercial shipping industries will apply from 1 January 2025, instead of 1 July 2024.

Discontinuation of ‘Strengthening the ABN system’

The Government will not proceed with the 2019–20 Budget measure ‘Black Economy – Strengthening the Australian Business Number system’ because integrity issues are being addressed through enhanced administrative processes implemented by the ATO.

As announced, the measure proposed requiring ABN holders to comply with their income tax return lodgment obligations and to confirm the accuracy of their ABN registration details annually in order to retain their ABN registration.

### Deloitte comment:

This is a tax-light Budget in terms of business tax measures. There is some sensible, good news with the decision not to proceed with the denial of intangible related deductions measure, and the deferral of the start of the expanded Part IVA, due to the absence of legislation.

The Government (and ATO) focus on royalty and intangible matters continues with the proposed new penalty regime.

The most significant business tax measure is the expansion of the CGT regime as it applies to non-residents, including a pre-transaction notification obligation. The precise scope of the expected expansion of taxable Australian real property and indirect Australian real property interest will need to be monitored.

There are currently a number of disputes before the courts which are understood to deal with taxable Australian real property and indirect Australian real property interests. It may be that these cases are effectively superseded by new and expanded law to tax some of the matters of concern.

As has been the case over recent years, the ATO has been funded for specific time-bound projects with funding tied to forecast revenue targets. The Tax Avoidance Taskforce will be extended, although it seems to be chasing relatively limited return on the additional ATO funding, which is consistent with the relatively small identified tax gap in the large market.



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