Federal Budget Briefing

14 May 2024

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Labor's third Budget was widely expected to focus on cost of living. This was delivered in the form of energy bill relief for all households, along with Stage three tax cuts that had already been legislated.

Social security proposals included freezing deeming rates at their current levels for a further 12 months, increases to Commonwealth Rent Assistance, and more flexibility for Carer Payment recipients.

Super was largely left unchanged although the Treasurer announced plans for eligible parents to receive 12 per cent super on of their government-funded Paid Parental Leave. For small businesses, the government announced it would extend the $20,000 small business instant asset write-off by 12 months until 30 June 2025.

Cost of living measures

Energy Bill Relief Fund – extension and expansion

From 1 July 2024

The Government has announced it will provide a non-means tested $300 energy bill rebate to all Australian households to offset energy bills in the 2024-25 year. The rebate will provide cost of living relief and will be automatically applied to a household's electricity bills in quarterly instalments. It's expected that more than ten million households will receive this energy bill rebate.

The Government also announced a $325 rebate for eligible small businesses. Please refer to **energy bill relief** for small business section for details.

Superannuation

Paying super on Government-funded Paid Parental Leave

From 1 July 2025

In recognition of the important contribution that parents make, the Government has announced that, subject to the passage of legislation, it will pay super on the Government funded Paid Parental Leave for babies born or adopted on or after 1 July 2025.

Eligible parents will receive an additional 12% of their Government-funded Paid Parental Leave as a contribution to their superannuation fund.

> **FirstTech comment:**
>
> This proposal will help normalise parental leave as a workplace entitlement like annual leave and sick leave.
>
> This measure is designed to reduce the impact of parental leave on retirement savings.

Payday super

From 1 July 2026

As part of the Government's workplace relations agenda, funding was provided to boost workplace productivity including supporting workplaces to implement policy changes such as the introduction of payday superannuation.

Payday superannuation was previously announced in the 2023-24 Federal Budget, requiring employers to pay their employees' SG entitlements at the same time as their salary and wages. Currently, employers are required to pay their employees' superannuation guarantee contributions on a quarterly basis.

The Government released a consultation paper on 9 October 2023 providing industry and stakeholders an opportunity to provide input on implementing payday superannuation as well as a redesigned compliance framework to encourage employers to pay their super as close as possible to payday.

Personal taxation

Stage 3 tax cuts

From 1 July 2024

The already legislated Stage 3 tax cuts make changes to personal income tax rates and thresholds from the 2024/25 financial year, resulting in tax savings for all taxpayers.

The Stage 3 tax cuts will make the following changes from 2024/25:

- reduce the 19% tax rate to 16%
- reduce the 32.5% tax rate to 30%
- increase the 37% tax rate threshold from $120,000 to $135,000
- increase the 45% tax rate threshold from $180,000 to $190,000

The table below compares current tax rates and thresholds for 2023/24, to the new tax rates from 2024/25.

2023/24 (current year)		2024/25 and future years	
Thresholds	Rates*	Thresholds	Rates*
$0 to $18,200	0%	$0 to $18,200	0%
$18,201 to $45,000	19%	$18,201 to $45,000	16%
$45,001 to $120,000	32.5%	$45,001 to $135,000	30%
$120,001 to $180,000	37%	$135,001 to $190,000	37%
Over $180,000	45%	Over $190,000	45%

*Rates do not include Medicare Levy

Tax savings

The table below compares the amount of tax payable in 2023/24 to the amount payable under the new tax rates from 2024/25. The last column shows the amount of tax saved.

Taxable income	Tax payable in 2023/24	Tax payable in 2024/25	Tax savings
$30,000	$1,542	$1,188	$354
$45,000	$4,767	$3,963	$804
$70,000	$13,217	$11,788	$1,429
$100,000	$22,967	$20,788	$2,179
$150,000	$40,567	$36,838	$3,729
$190,000	$56,167	$51,638	$4,529

Note, these amounts do not include Medicare levy.

The largest tax saving of $4,529 applies to clients who have taxable income of $190,000 or more.

However middle-income earners also receive a substantial tax saving. For example, clients with taxable income of $100,000 save $2,179 per year.

FirstTech comment:

The reduction in the lowest tax rate from 19% to 16% will result in an increase in the Seniors and Pensioner tax offset (SAPTO) income thresholds, as well as the effective tax-free thresholds which is the level of taxable income a tax resident can receive before income tax becomes payable.

Please refer to FirstTech's strategic article – **Changes to stage 3 tax cuts pass parliament – advice implications** for further information.

Increasing the Medicare levy low-income thresholds

From 1 July 2023

The Government has increased the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from 1 July 2023 to provide cost-of-living relief. The increase to the thresholds ensures that low income individuals continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

Group	Medicare levy low-income threshold increase for 2023/24
Singles	from $24,276 to $26,000
Families	from $40,939 to $43,846
Single seniors and pensioners	from $38,365 to $41,089
Family seniors and pensioners	From $53,406 to $57,198

The family income thresholds will now increase by $4,027 for each dependent child, up from $3,760.
This measure has already been provisioned for by the Government and will apply retrospectively from 1 July 2023.

Strengthening the foreign resident capital gains tax regime

From 1 July 2025

The Government has announced it intends to strengthen the foreign resident capital gains tax (CGT) regime to ensure foreign residents pay their fair share of tax in Australia.

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

- clarify and broaden the types of assets that foreign residents are subject to CGT on
- amend the point-in-time principal asset test to a 365-day testing period
- 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 Government stated these measures will 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.

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.

These 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 Government will consult on the implementation details of the measure.

Business taxation

Small Business Support – $20,000 instant asset write-off

Extended to 30 June 2025

The Government has announced it will continue to improve cash flow and reduce compliance costs for small businesses by extending the $20,000 small business instant asset write-off by a further 12 months until 30 June 2025.

This measure was previously announced as part of the 2023-24 Federal Budget in relation to the 2023-24 income year. The **Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023** containing this measure for the 2023–24 income year is currently before Parliament and is yet to become law.

Under these rules, small businesses with 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 between 1 July 2023 and 30 June 2025. The Government also confirmed the $20,000 asset threshold will continue to apply on a per asset basis, allowing small businesses to instantly write off multiple assets.

Further, 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 per cent in the first income year and 30 per cent each income year thereafter.

In addition, the Government confirmed the provisions that prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out will continue to be suspended until 30 June 2025.

Energy bill relief for small businesses

From 1 July 2024

The Government announced it will provide direct energy bill relief for small businesses. The Energy Bill Relief Fund will provide energy rebates to approximately one million businesses on small customer electricity plans to help cover their electricity bills. The government will provide additional energy bill relief of $325 to eligible small business in 2024-25.

The Government says the rebates will automatically be applied to electricity bills and will be rolled out in quarterly instalments.

Social security

Deeming rates from 1 July 2024

From 1 July 2024

The Government announced it will freeze the social security deeming rates at their current levels for a further 12 months until 30 June 2025.

The deeming rates have been frozen at 0.25% and 2.25%, to help pensioners 'keep more in their pockets' during the cost of living increases caused by COVID. The deeming rate freeze was due to end on 30 June 2024.

The Government said freezing deeming rates for a further 12 months was to support Age Pensioners and other income support recipients who rely on income from deemed financial investments, as well as their payment, to manage cost of living pressures.

FirstTech comment:

The extension to the deeming rate freeze for a further 12 months applies to all Centrelink and Department of Veterans Affairs income support recipients, as well as concession card holders such as the Commonwealth Seniors Health Card.

If the deeming rate freeze had ended on 30 June 2024, many social security recipients would have seen substantial reductions in their rates of payment. For example, if deeming rates had increased to 4% and 6%, a single Age Pensioner homeowner with $300,000 in financial investments would have seen a reduction in their Age Pension of $5,625pa under the income test.

The 12-month delay is good news for Centrelink and Department of Veterans Affairs income support recipients, however it will be interesting to see whether deeming rates increase substantially from 1 July 2025.

Increasing the maximum rates of Commonwealth Rent Assistance

From 20 September 2024

The Government has announced it will increase the maximum rate of Commonwealth Rent Assistance by 10 per cent from 20 September 2024 to help address rental affordability challenges for recipients.

This builds on the 15% increase in September 2023 and will take maximum rates over 40% higher than in May 2022 – a combined result of indexation and the actions of Government.

Higher Rate of JobSeeker Payment - Partial Capacity to Work

From 20 September 2024

The Government has announced that from 20 September 2024, it will extend eligibility for the existing higher rate of JobSeeker Payment to single recipients with a partial capacity to work of between zero and 14 hours per week.

FirstTech comment:

The higher JobSeeker Payment rate is currently provided to single recipients with dependent children and those aged 55 and over who have been on payment for nine continuous months or more. This measure extends the higher payment rate to those with a partial capacity to work.

The higher JobSeeker Payment rate is currently $833.20 per fortnight, which is substantially higher than the standard rate for single recipients without dependant children of $771.50 per fortnight.

Increased flexibility for Carer Payment recipients

From 20 March 2025

The Government has announced funding to support Carer Payment recipients through increased flexibility to undertake work, study and volunteering activities.

From 20 March 2025, the existing 25 hour per week participation limit for Carer Payment recipients will be amended to 100 hours over four weeks. The participation limit will no longer capture study, volunteering activities and travel time and will only apply to employment.

The Government has also announced that Carer Payment recipients who exceed the participation limit or their allowable temporary cessation of care days, will have their payments suspended for up to six months instead of cancelled. Recipients will also be able to use single temporary cessation of care days where they exceed the participation limit, rather than the current seven day minimum.

FirstTech comment:

Changing the existing 25 hour per week participation limit for Carer Payment recipients to 100 hours over four weeks is aimed at making it easier for carers to be employed under more flexible work arrangements.

Removing study, volunteering activities and travel time from the participation limit increases the amount of time that carers are able to work and still retain Carer Payment.

Services Australia – additional resourcing

From 1 July 2023

The Government has announced it will provide additional funding to improve the way Services Australia delivers services to the Australian community. This includes funding for additional frontline staff:

- to help stabilise Services Australia claims backlogs and service standards
- to enhance safety and security at Services Australia centres
- to continue emergency response capability and
- to improve the cyber security environment.

This measure also includes funding to sustain and enhance the myGov platform and ensure the continued development of its capability.

Aged care

Improving Aged Care Support

1 July 2025

The Government has announced it will defer the commencement of the new Aged Care Act to 1 July 2025.

In addition, the Government has announced it will provide funding over five years from 2023–24 to deliver a range of key aged care reforms and to continue to implement the recommendations from the Royal Commission into Aged Care Quality and Safety. These measures are proposed to include:

- the release of 24,100 additional home care packages in 2024–25
- changes to increase the regulatory capability of the Aged Care Quality and Safety Commission and to implement a new aged care regulatory framework from 1 July 2025
- additional funding to attract and retain aged care workers and improve the outcomes for people receiving aged care services through existing aged care workforce programs
- investment to reduce wait times for the My Aged Care Contact Centre due to increased demand and service complexity

- money to extend the *Home Care Workforce Support Program* for an additional three years to facilitate the growth of the care and support workforce in thin markets.

FirstTech comment:

The new Aged Care Act was originally scheduled to commence on 1 July 2024, however the Government had previously announced the commencement would be delayed.

The Government has now announced a new start date of 1 July 2025, however no details have yet been provided as to how fees and charges for aged care residents and home care recipients will work under the new Aged Care Act.

Other

Reducing indexation of student debt

From 1 June 2023

In response to the Australian Universities Accord, the Government will cap the HELP indexation rate to be the lower of either the Consumer Price Index (CPI) or the Wage Price Index (WPI) with effect from 1 June 2023.

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 last year.

This will benefit all Australians with a HELP debt, fixing the issue of last year's spike in the CPI indexation rate of 7.1 per cent and preventing growth in debt from outpacing wages in the future.

The 2023 indexation rate based on WPI would only have been 3.2 per cent.

An individual with an average HELP debt of $26,500 will see around $1,200 wiped from their outstanding HELP loans this year, pending the passage of legislation.

Securing cheaper medicines

From 1 July 2024

As part of a range of measures aimed at reducing the cost of medicines, the Government has announced a one-year freeze on the maximum Pharmaceutical Benefits Scheme (PBS) patient co-payment for everyone with a Medicare card and a five-year freeze for pensioners and other concession cardholders.

This change means that no pensioner or concession card holder will pay more than $7.70 (plus any applicable manufacturer premiums) for up to five years.

Measures expected to be covered but no announcements made in this Budget

No announcement to allow legacy complying income stream products to be commuted

In the 2021/22 Federal Budget, the previous government proposed a two-year window to commute and roll the capital supporting certain complying income streams (including reserves) back into a super account in accumulation phase, allowing the member to then decide whether to commence an account-based pension, take a lump sum benefit, or retain the balance in the accumulation account.

The measure was proposed to affect:

- market-linked income streams (otherwise known as Term Allocated Pensions),
- complying life expectancy income streams, and
- complying lifetime income streams (excluding APRA-regulated fund lifetime defined benefit pensions)

that were originally commenced prior to 20 September 2007.

The measure is still not legislated and there was no further announcement tonight in this budget.

No further announcements about Division 296 tax

The **Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) Bill 2023** containing the Division 296 tax measures is still before House of Representatives. The proposed method to calculate earnings and its effect of taxing unrealised capital gains have been controversial. However, a recent Senate committee report has recommended it be passed unchanged.

The Government has made no further announcement about Division 296 tax in tonight's budget.

No announcement on relaxing residency requirements for small super funds

The former Government announced plans in the May 2021 Federal Budget to relax the residency requirements for SMSFs by extending the central management and control test (safe harbour rule for temporary absences) from 2 to 5 years and removing the active member test.

The Government made no further announcements regarding this measure.

No announcement to modernise individual tax residency rules

The former Government announced in the May 2021 Federal Budget that it intended to replace the individual tax residency rules with a new, modernised framework based on the Board of Taxation's recommendation. The new framework will be easier to understand and apply in practice. It is designed to deliver greater certainty and lower compliance costs for globally mobile individuals and their employers.

The Government released a consultation paper on modernising individual tax residence in July 2023. The consultation process was finalised in September 2023; however, the Government made no further announcement about this measure in tonight's Budget.

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