



# FEDERAL BUDGET 2023-2024 SUMMARY

9 May 2023

## AT A GLANCE

**\$4.2bn**

Budgeted forecast surplus

**\$3m**

Super balances lost tax concessions

**\$1.02tn**

Gross debt by 2025-2026  
being 36.3% of GDP

**\$5.7bn**

Investment in strengthening  
Medicare

**\$4bn**

renewable energy  
superpower plan

**\$588.8m**

towards GST compliance  
over 4 years

“That optimism and  
resilience has sustained us –  
and carried us – through  
downturns and disaster,  
through recession and  
pandemic.”

Treasurer Jim Chalmers

## What we didn't see

There were no further announcements about amendment to:

\*the thin capitalization (debt/equity) rules

\*the tax residency rules for individual or companies



### Enforcement and anti-avoidance

Rather than change tax rates, the Government has allocated over \$90M to personal income tax compliance activities and almost \$590M to further GST compliance activities.

### Franked distributions funded by capital raisings

The start date for the measure concerning franked distributions and capital raisings has been deferred to 15 September 2022. However, this measure is expected to have a relatively limited impact, as it is a narrowly focused measure targeted at specific arrangements.



### Timing of small business tax payments

The government will reduce the GDP uplift factor used to calculate company and GST instalments from 12% to 6%. This will provide limited cashflow support to small businesses.



### \$3M Super Balance

From 1 July 2025, earnings on an individual's superannuation balance exceeding \$3 million will typically be taxed at 30% (up from 15%).

### Super Guarantee (SG) Pay Day

From 1 July 2026, employers will be required to pay their employees' SG entitlements on the same day that they pay salary and wages, rather than quarterly. This is to help identify employers which might not pay, or which might be late paying, their employees superannuation.

### Non-arm's length income (NALI)

New rules will limit income of SMSFs and small APRA regulated funds that is taxable as NALI to twice the level of a general expense. Additionally, fund income taxable as NALI will exclude contributions. Large APRA regulated funds will be exempt from the NALI provisions.

There is also to be a global minimum tax (and a domestic minimum tax) of 15% but this will only apply to large multinationals, i.e. groups with a turnover of EUR750M (approx. A\$1.2B).

### Medicare levy

As expected, the Medicare levy low-income thresholds are to change from 1 July 2022.

Also, some lump sum back payments like underpaid salary, are to be exempt from the Medicare levy where the recipient would otherwise be in the low-income category and eligible for a reduced Medicare levy.





# Managed Investment Trusts (MIT) Concession

## Clean Building MIT

The clean building managed investment trust (MIT) withholding tax concession will be extended to data centers and warehouses that meet the new 6-star energy efficiency standards. This measure applies to constructions starting from 9 May 2023, and will take effect on 1 July 2025. This measure will raise the minimum energy efficiency requirements for both existing and new clean buildings to a 6-star rating from the Green Building Council Australia or under the National Australian Built Environment Rating System.

## Build to Rent projects

Eligible build to rent projects where construction commences after 9 May 2023, will be entitled to:

- 4 per cent per year capital works tax deduction (depreciation)
- 15 per cent withholding tax rate on eligible fund payments from managed investment trusts (MITs), applicable from 1 July 2024.

This will apply to build-to-rent projects consisting of 50 or more apartments or dwellings made available for rent to the general public. The dwellings must be retained under single ownership for at least 10 years and landlords must offer a lease term of at least 3 years for each dwelling.

## Patent Box measures

The previous Government announced Patent Box tax concessions to encourage innovations in the agricultural, medical and biotechnology sectors, as well as for low emissions technologies. However, these measures will now not proceed.



## Plug-In Hybrid Electric Car FBT exemption ends

Plug-in hybrid electric cars first used between 1 July 2022 and 31 March 2025 might be eligible for a Fringe Benefits Tax exemption. From 1 April 2025, this exemption will cease unless, prior to that date, the employer commits to the continued application or availability of that car.



## \$20,000 INSTANT ASSET WRITE-OFF

The temporary full expensing of depreciating assets ceases for assets not installed and ready for use on or before 30 June 2023. The Government has provided support for small businesses with aggregated turnover under \$10M to allow for immediate write-off of eligible assets costing less than \$20,000. This will apply on a per asset basis allowing multiple assets to be instantly written off. Assets costing \$20,000 or more can be put into the small business simplified depreciation pool and depreciated at 15% in year 1 and 30% in each year thereafter.

## Support for SMEs and Startups

The Government will provide over \$430M in funding to improve support for SMEs and startups via the:

- Industry Growth Program to support Australian SMEs and startups to commercialise their ideas and grow their operations, and
- Single Business Service, supporting SMEs' engagement with all levels of government.

## REDUCING SMALL BUSINESS ENERGY BILLS

In a push to reduce business energy costs, an additional 20% tax deduction will be allowed for eligible depreciating assets up to a total of \$100,000 expenditure. The concession is available to SME's with an aggregated turnover of less than \$50M focusing on assets that increase energy efficiency including heat pumps, electric heating and cooling, batteries and more energy efficient assets. The concession is available for assets installed and ready for use from 1 July 23 through 30 June 24.

A maximum bonus deduction of \$20,000 might save a corporate taxpayer on the 25% tax rate \$5,000, however it may also reduce the company's ability to fully frank dividends.



## Contact us

If you would like more information, please contact:

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