

# Individuals & SMEs

## FedBud Fast Facts



10 May 2023

## Personal Income Tax, Small Business Incentives and Superannuation

### Key takeaways

#### **\$20,000 Instant Asset Write-off**

Small businesses with annual turnover of less than \$10m will be able to immediately deduct eligible assets costing less than \$20,000 from 1 July 2023 until 30 June 2024. The \$20,000 threshold applies on a per asset basis, so small business can instantly write off multiple assets (there is no cap on the total amount that can be instantly written off).

Assets valued at \$20,000 or more 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.

#### **Super Guarantee Compliance – Increasing the frequency of payments**

Currently, employers are only required to pay super guarantee quarterly, with the latest date for payment, 28 days after the end of the quarter.

From 1 July 2026, employers will be required to pay their employees' super guarantee entitlement on the same day that they pay salary and wages.

The final design of these changes will be considered as part of the 2024-25 Budget.

#### **Additional 15% Income Tax on earnings for individuals with a total Superannuation balance exceeding \$3m**

As previously announced by the government, an additional 15% Income Tax will be levied on earnings corresponding to the proportion of an individual's total superannuation balance that is greater than \$3m.

These measures are set to take effect from 1 July 2025 with the calculation methodology for this seemingly unchanged from earlier announcements.

#### **Small Business Energy Incentive**

To help small and medium businesses electrify and save on their energy bills, this incentive will provide tax relief and support to businesses making investments like electrifying their heating and cooling systems, installing batteries and upgrading to high-efficiency electrical goods.

Businesses with annual turnover of less than \$50m will have access to a bonus 20 per cent tax deduction for eligible assets supporting electrification and more efficient use of energy, from 1 July 2023 until 30 June 2024. Up to \$100,000 of total expenditure will be eligible for the incentive, with the maximum bonus tax deduction being \$20,000 per business.

#### **Energy Bill Relief**

The Government is partnering with state and territory governments to deliver up to \$3b of electricity bill relief for eligible households and small businesses. From July 2023, this plan will deliver up to \$500 in electricity bill relief for eligible households and up to \$650 for eligible small businesses.

Businesses must be on a separately metered business tariff with their energy retailer and annual electricity consumption must be less than the threshold for their state or territory. The relief will be provided automatically for eligible small businesses.

#### **Improving small business cash flow**

The Government is providing eligible small businesses with cashflow relief by halving the increase in their quarterly tax instalments for GST (businesses with turnovers up to \$10M) and income tax (businesses with turnovers up to \$50M) in 2023–24. Instalments will only increase by 6 per cent instead of 12 per cent, which allows small businesses to manage cashflow given the economic conditions they currently face.



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### Small Business lodgement penalty amnesty program

A failure- to-lodge penalty (FTLP) amnesty for small business with aggregate turnover of less than \$10M.

For outstanding tax statement that were originally due for in the period 1 December 2019 to 29 February 2022.

The amnesty will remit FTLP's if the outstanding statements are lodged in the period 1 June 2023 to 31 December 2023.

### Export Market Development Grant abolished

The government will reduce the funding for the Export Market Development Grants program. No funding already committed or applications currently under assessment will be impacted by this measure.

### Plug-in hybrid electric cars no longer FBT exempt from 1 April 2025

The government will sunset eligibility of plug-in hybrid electric cars from the fringe benefits tax exemption for eligible electric cars. This change will apply from 1 April 2025. Arrangements involving plug-in hybrid electric cars entered into between 1 July 2022 and 31 March 2025 remain eligible for the Electric Car Discount.

### Medicare related changes

The government will increase the Medicare levy low-income threshold for single, families and seniors and pensioners from 1 July 2022.

Additionally, the government will exempt eligible lump sum payments in arrears (compensation for underpaid wages for example) from the Medicare levy effective 1 July 2024.

### Opportunities

- Investment opportunities to upgrade to high-efficiency electrical goods
- Investment opportunities to purchase assets under \$20K
- A reminder that temporary full expensing ends on 30 June 2023, the final opportunity to take advantage of this measure
- Opportunity for taxpayers with outstanding tax statements to act between 1 June 2023 to 31 December 2023.

### We score it:



*This budget is like a C+ on a report card - it's not amazing, but it's not a total failure either.*



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