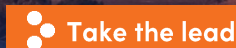


# Individuals & SMEs

## Fast Facts '24



15 May 2024

## Personal Income Tax & Small Business Incentives

### Key takeaways

#### Stage 3 Tax Cuts from 1 July 2024

The Government has legislated permanent tax cuts for all 13.6 million Australian taxpayers from 1 July 2024. Under the Government's tax cuts, from 2024–25:

- the 19 per cent tax rate will be reduced to 16 per cent
- the 32.5 per cent tax rate will be reduced to 30 per cent
- the income threshold above which the 37 per cent tax rate applies will be increased from \$120,000 to \$135,000,
- the income threshold above which the 45 per cent tax rate applies will be increased from \$180,000 to \$190,000.

#### Medicare Levy Low Income Threshold

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 accounts for recent annual CPI outcomes.

#### HELP and other Student Loans

The Government announced that it will limit the indexation of the Higher Education Loan Program (and other student loans) debt to the lower of either the Consumer Price Index or the Wage Price Index, effective from 1 June 2023, subject to the passage of legislation. This applies retrospectively and is estimated to reduce outstanding loans by around \$3.0 billion.

#### Energy Relief Fund

- All Australian households will receive \$300 total rebate on their energy bill from 1 July 2024. This will be rebated throughout the year.

- Eligible small business will receive \$325 total rebate on their energy bill from 1 July 2024.
- Small businesses must meet their state and territory definition of electricity 'small customer', as determined by their annual electricity consumption threshold, to be eligible for a \$325 annual rebate.

#### Small Business Instant Asset Write off

- The \$20,000 instant asset write off has been extended for 12 months to 30 June 2025 for eligible small businesses with aggregated turnover of less than \$10m.
- The asset must be installed and ready to use by 30 June 2025.

#### Foreign resident capital gains tax regime

- Amendments 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.
- Will impact sale of assets with close economic connection to Australian land.
- Will increase compliance with foreign resident CGT withholding on sale of not taxable real property.

#### Migration System Reform

As the Government reforms its migration system:

- A new National Innovation visa will replace the current Global Talent visa from late 2024 to target exceptionally talented migrants such as high performing entrepreneurs, major investors and global researchers who will drive growth in sectors of national importance.
- Business Innovation and Investment visa program (BIIP) will cease from late 2024.
- Will reduce the work experience requirement from two years to one year for all applicants of Temporary Skill Shortage (subclass 482) visa from 23 November 2024 onwards to assist with skill shortages in various industries.

#### Superannuation on Paid Parental Leave (PPL)

The government has committed \$1.1bn to fund superannuation guarantee contributions for families with children born or adopted from 1 July 2025 who are eligible for Government-funded PPL payments.

#### ATO Old Tax Debts

The Government will amend the tax law to give the Commissioner of Taxation (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 will maintain the Commissioner's current administrative approach.



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### Opportunities

While we welcome changes providing superannuation contributions for eligible families receiving PPL, no meaningful tax reform was announced in tonight's Budget with largely only peripheral changes announced.

### Did the Budget measure up?

Given that the Government is in a difficult fiscal position, it is a positive that there are no significant new revenue raising measures for Residents announced in the Budget.

Having said this, the trend of previous Budgets with additional funds being allocated to ATO and other compliance activities has continued, so Taxpayers need to continue to be vigilant.

Moreover, non-residents will likely be negatively impacted by the proposed changes to the increase the Capital Gains Tax Asset base.

While not part of the Budget announcements, today the Division 296 bill (in relation to the additional 15% income tax on Fund earnings over \$3m) also passed the Senate without any amendments.



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We score it: **2/5**



*This budget is like a gift from a cheap relative - you're happy to get something, but you know it could have been a lot better.*