

# Federal Budget 2023-24: In the business of budgets, is this a budget for business?

By Fordham

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## **Summary**

On 9 May 2023, the Federal Treasurer of Australia, Hon Dr Jim Chalmers, handed down a budget for the 2023-24 year that aims to address the persistent inflation and cost of living pressures felt throughout the economy.

Australia's economic growth is expected to slow from 3¼ % in 2022–23 to 1½ % the year after, before recovering to 2¼ % in the 2024-25 year. Unemployment is expected to remain low by historical standards at 4¼ % in 2023–24 and 4½ the year after.

The Government has forecast inflation to fall from 6 % this year to 3¼ % next year while wages are forecast to grow by 4 % in the 2023-24 year.

While this budget has targeted cost of living assistance, there were few significant announcements relating to private business that have not been previously made. Contained below is an analysis of the Federal Budget. It's important to note that this analysis covers Federal Budget proposals that have not yet been legislated, and the communication should be viewed within that context. For greater clarity or if you have any questions relating to your individual situation, please speak to your Fordham representative.

## **Small Business Support**

### **\$20,000 Instant asset write-off**

From 1 July 2023 the instant asset write-off threshold will return to the pre-COVID level of \$20,000 for business with an aggregated turnover of less than \$10 million.

### **Cash flow improvement**

An amendment for the 2023-24 income year will see a reduction in the PAYG and GST instalment rates to assist business with their cash flow.

The Budget papers suggest that some small businesses may be entitled to energy price relief. Further detail needs to be provided to understand this measure fully.

### **Small Business Energy Incentive**

From 1 July 2023 small and medium business will have access to an additional 20% tax deduction for depreciating assets that support electrification and more efficient use of energy. This deduction is available until 30 June 2024 and will include upgrades to existing assets. Bonus deductions are limited to \$20,000.

## **Superannuation**

### **Better targeted superannuation concessions**

As foreshadowed for several weeks now, the headline tax rate for individuals with superannuation balances over \$3 million will increase to 30% for earnings attributable to assets above this threshold. This will create a two or three-tiered tax rate within superannuation funds. This measure will commence from 1 July 2025.

### **Timing of Superannuation Guarantee Payments**

From 1 July 2026, employers will be required to pay their employees' Superannuation Guarantee on the same day as they pay salary and wages. This will impact business cashflow.

### **Non-arm's Length Income**

An amendment to superannuation anti-avoidance provisions is proposed.

## **Tax Integrity Measures**

### **ATO engagement and lodgement penalty amnesty**

The ATO is being provided with further funding to address the growth of tax and superannuation debts.

In addition, a lodgement penalty amnesty program will be enacted for small businesses with aggregated turnover less than \$10 million.

### **Anti-avoidance**

The definition of the general anti-avoidance rules is being expanded to include specific cross-border structures and transactions.

### **Personal Income Taxation Compliance Program**

The Government will provide \$89.6 million to the ATO and \$1.2 million to Treasury to extend the Personal Income Taxation Compliance Program for 2 years from 1 July 2025 and expand its

scope from 1 July 2023. This is estimated to return \$384.1 million to revenue over the next 5 years.

Of note, this initiative is focussing on deductions relating to short-term rental properties to ensure they are genuinely available to rent.

### **GST Compliance Program**

The ATO will be provided with further funding to ensure businesses are meeting their GST obligations.

### **Multi-Nationals and Significant Global Entities (SGEs)**

The Government is looking to implement Pillar Two of the OECD/G-20 Two-Pillar Solution to multinational tax avoidance. This measure seeks to implement a global and domestic minimum 15% tax rate.

### **Other announcements and exclusions**

Notably absent from the Federal Budget announcements were:

- Proposed significant changes to Division 7A
- Trust income re-write
- Proposed review and changes to CGT rollover provisions
- Proposed re-write of the individual tax residency rules

### **In closing**

In summary, for private business owners, the Federal Budget contained minimal new initiatives that were not previously announced.

Should you require further details on the May 2023 Federal Budget announcements, please contact your [Fordham](#) representative.

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