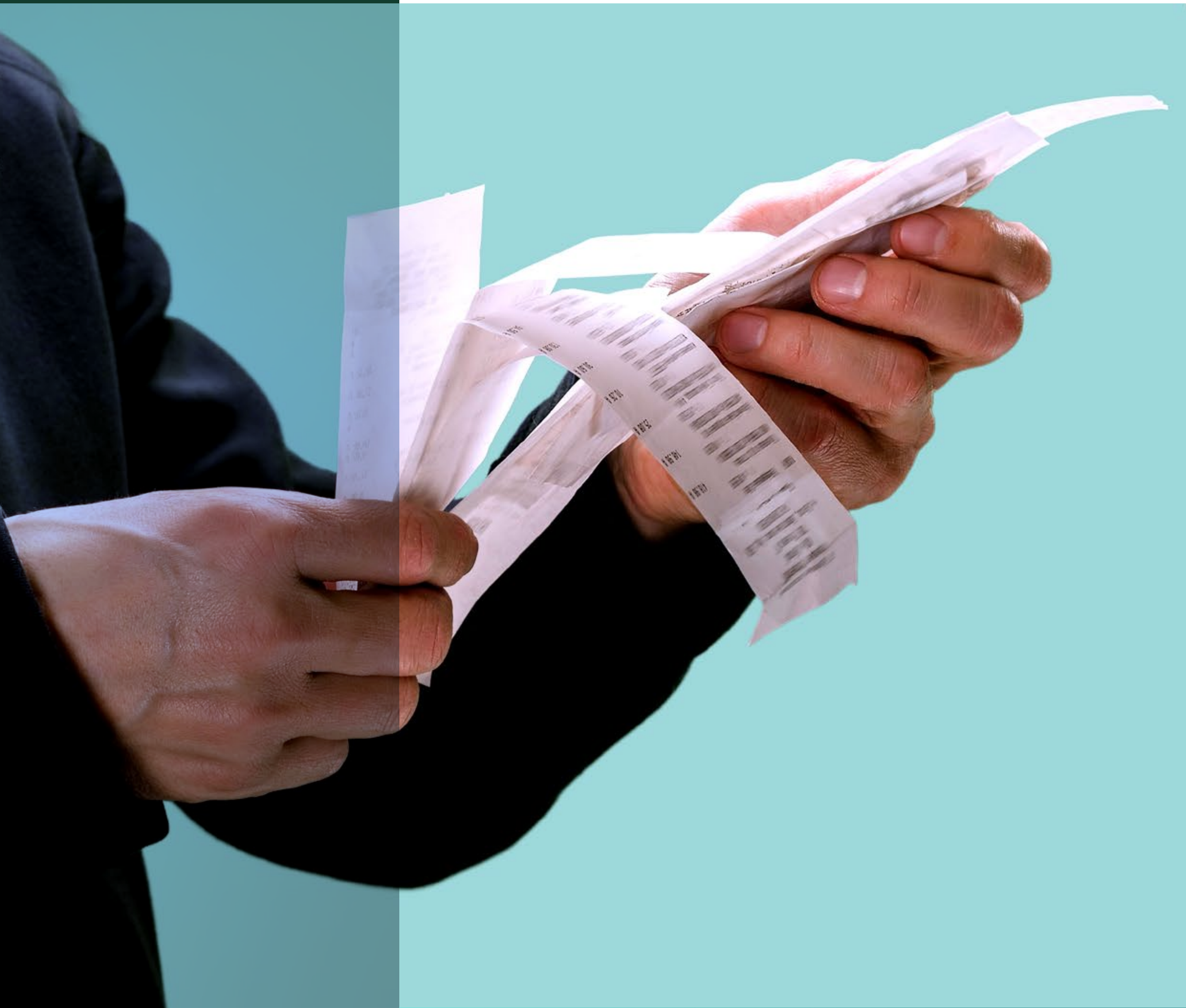

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2024-25 BUDGET

THE PRICE IS RIGHT

THE PRICE IS RIGHT: BUDGET 2024-25

The Treasurer is promising that inflation will decline by 0.75% as a direct result of the 2024-25 Federal Budget initiatives including energy relief for all households, a boost to Commonwealth Rent Assistance, and the freezing of the maximum co-payment on the Pharmaceutical Benefits Scheme.

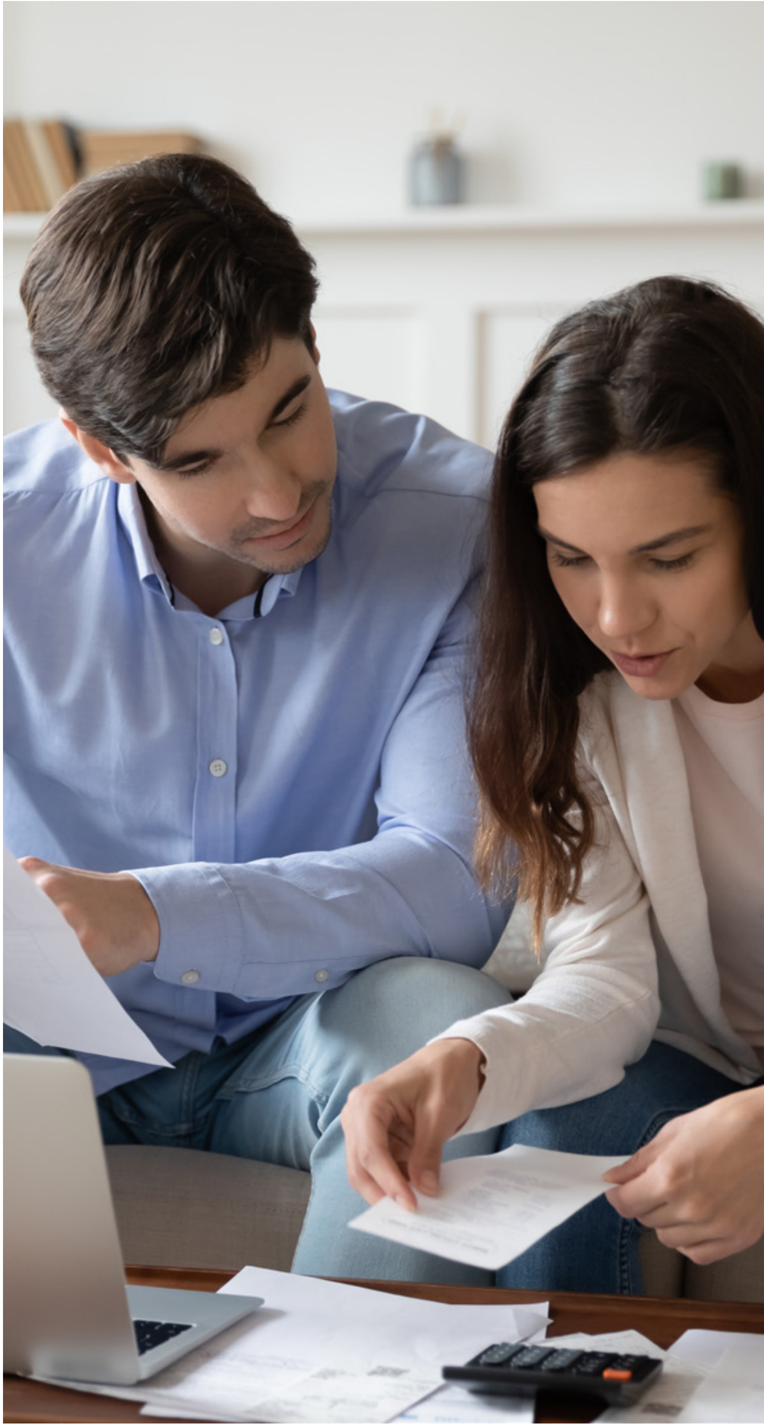
This is a pre-election budget for the people with everyone getting a little something to ease cost of living pressures. Like the Price is Right gameshow, it will all come down to the price paid at the checkout. If the consumer price index (CPI) returns to target by the end of 2024 off the back of the Budget initiatives as the Government anticipates, the Reserve Bank of Australia (RBA) may be inclined to reduce interest rates. However, at this stage, the RBA is not expecting inflation to return to the target range of 2-3% until the second half of 2025, and to the midpoint in 2026.

The 2023-24 surplus has increased to $9.3bn but is expected to decline to a deficit of $28.3bn in 2024-25, driven primarily by the Stage 3 tax cuts.

For business, the Government is picking winners through targeted public investment with its Future Made in Australia Framework that they are betting will pave the way for private investment in net zero transformation and the strengthening of Australia's domestic economic resilience.

For small and medium business, there is a little but not a lot - an extension of the $20k instant asset write-off until 30 June 2025 and a $325 rebate to eligible businesses towards 2024-25 energy bills.

For foreign residents, the capital gains tax (CGT) regime will be amended to broaden the type of assets subject to CGT and introduce a modified 365-day principal asset testing period.



Key measures:

- Previously announced Stage 3 tax cuts
- $300 energy bill relief for all Australian households and $325 for eligible small businesses - applied as an automatic quarterly credit.
- Student HELP debts will be cut by changing the way indexation is calculated. From 1 June 2023, it will be the lower of the CPI or the Wage Price Index (WPI), reducing the debt accumulated by more than 3 million Australians when the CPI spiked to 7.1%.

Those with large superannuation balances will be disappointed that the 30% tax on super earnings on balances above $3 million remains in place, this is set to commence from 1 July 2025.

INDIVIDUALS & FAMILIES

PERSONAL INCOME TAX CUTS CONFIRMED

From July 2024

As previously announced, the Government has legislated permanent tax cuts for all Australian taxpayers from 1 July 2024.

Relative to the previous Stage 3 plan, the redesigned cuts broaden the benefits of the tax cut by focussing on individuals with taxable income below $150,000.

From 1 July 2024, the highest marginal tax rate of 45% will apply to taxable incomes of $190,000 and above.

For rates, please refer to **Annexure 1 Personal income tax rates from 1 July 2024**.

CAPPING INDEXATION OF HELP DEBTS

From 1 June 2023

As previously announced, the Government will cap the HELP indexation rate to be the lower of either the CPI or the Wage Price Index (WPI) with effect from 1 June 2023. The change will apply to all HELP, VET Student Loans, Australian Apprenticeship Support Loans and other student support loan accounts that existed on 1 June 2023.

By changing the calculation of HELP indexation from 1 June 2023, the indexation rate is reduced from:

- 7.1% to 3.2% in 2023, and
- 4.7% to around 4% in 2024.

The change resolves an issue for more than 3 million Australians with a HELP debt when the CPI indexation rate spiked to 7.1% last year.

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.

Estimated indexation for HELP debts

HELP debt at 30 June 2023	Total estimated credit for 2023 and 2024*
$15,000	$670
$25,000	$1,120
$30,000	$1,345
$35,000	$1,570
$40,000	$1,795
$45,000	$2,020
$50,000	$2,245
$60,000	$2,690
$100,000	$4,485
$130,000	$5,835

*Actual credit amount will vary depending on individual circumstances including repayments made during the year. All HELP debts that were indexed in 2023 and are subject to indexation on 1 June 2024 will receive an indexation credit.

SUPERANNUATION ON PAID PARENTAL LEAVE

From 1 July 2025

As previously announced, from 1 July 2025 superannuation will be paid on Paid Parental Leave payments from 1 July 2025.

Eligible parents will receive an additional payment based on the superannuation guarantee (i.e. 12% of their PPL payments), as a contribution to their superannuation fund.

This payment is in addition to the changes that saw families provided with an extra two weeks of leave (22 weeks total), which will increase to 24 weeks from July 2025 and 26 weeks from July 2026.

FOREIGN RESIDENTS

EXPANDING CGT REGIME FOR FOREIGN RESIDENTS

From July 2025

The foreign resident capital gains tax (CGT) regime will be expanded by:

- Clarifying and broadening the types of assets on which foreign residents are subject to CGT
- Amending the point-in-time principal asset test to a 365-day testing period
- Requiring foreign residents disposing of shares and other membership interests exceeding $20 million in value to notify the ATO, prior to the transaction being executed.

Under current law, foreign residents are subject to CGT when they sell an asset that is classified as 'taxable Australian property' (TAP). The rules seek to ensure that non-residents are subject to Australian CGT on the disposal of assets that have a sufficient nexus with Australian land and assets that have been used in business activities in Australia.

Shares in a company and units in a trust can be classified as TAP if the taxpayer and certain related parties hold at least a 10% interest in the entity and where more than 50% of the gross market value of the assets held by the entity is attributable to real property located in Australia and similar assets.

The measure is intended to ensure that Australia can tax foreign residents on direct and indirect sales of assets with a close economic connection to Australian land, bringing the treatment more in line with the tax treatment that already applies to Australian residents.

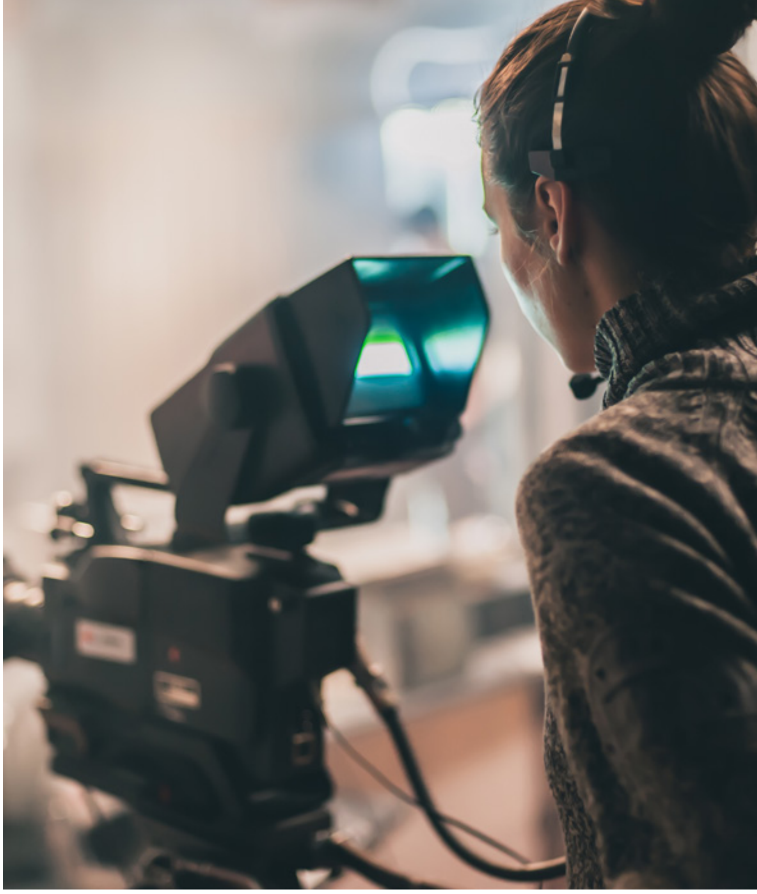
The new ATO notification process will improve oversight and compliance with the foreign resident CGT withholding rules, where a vendor self-assesses the sale doesn't involve TAP.

The proposed reforms will also align 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, which is estimated to increase receipts by $600 million and increase payments by $8 million over the five years from 2023–24.

Further details to follow.

BUSINESS & EMPLOYERS



$20K SMALL BUSINESS INSTANT ASSET WRITE-OFF EXTENDED

From 1 July 2023 to 30 June 2025

Small businesses, with an aggregated turnover of less than $10 million, will be able to immediately deduct the full cost of eligible depreciating assets costing less than $20,000 that are first used or installed ready for use between 1 July 2023 and 30 June 2025. This measure extends the 2023-24 Budget announcement to the 2024-25 financial year.

"Immediately deductible" means a tax deduction for the asset can be claimed in the same income year that the asset was purchased and used (or installed ready for use).

If the business is registered for GST, the cost of the asset needs to be less than $20,000 after subtracting the GST credits that can be claimed for the asset. If the business is not registered for GST, it is less than $20,000 including GST.

The write-off applies per asset, so a small business can deduct the cost of multiple assets.

The rules only apply to assets that fall within the scope of the depreciation provisions. Expenditure on capital improvements to buildings that falls within the scope of the capital works rules is not expected to qualify.

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% in the first income year and 30% each income year thereafter if the asset has been acquired by a small business entity that chooses to apply the simplified depreciation rules.

The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years if they opt-out will continue to be suspended until 30 June 2025.

Please note that the increased small business instant asset write-off announced in the 2023-24 Federal Budget, proposing to increase the threshold from $20,000 to $30,000, is not yet law.

FILM PRODUCER TAX OFFSET

From 1 July 2025 to 30 June 2026

The Producer Tax Offset is a refundable tax offset for Australian expenditure in making Australian films when certain conditions are met. The amount of the offset is:

- 40% of the company's qualifying Australian production expenditure (QAPE) on a feature film
- 20% of the company's total QAPE on a film that is not a feature film.

The minimum duration requirement differs depending on the format of the production.

As part of the Government's announced National Cultural Policy, it will make changes to the Producer Tax Offset from 2025–26 to remove:

- The minimum length requirements for content
- The above-the-line-cap of 20% of total QAPE.

SMALL BUSINESS SUPPORT SERVICES

From July 2024

The Government has announced $41.7 million in funding over four years from 2024–25 for a series of initiatives to support small businesses:

- **Improving payment times to small businesses including naming and shaming** - increased resourcing for the Payment Times Reporting Regulator so that it can deliver its expanded functions, which include naming slow paying businesses.
- **Mental health and financial wellbeing of small business owners** –
    - Extending the NewAccess for Small Business Owners program, which provides tailored, free and confidential mental health support.
    - Extending the Small Business Debt Helpline.
- **Franchising sector code changes** - In response to the *2023 Schaper Review of the Franchising Code of Conduct*, the Government is providing $3 million to:
    - Remake and improve the Code.
    - Promote best practice conduct between franchisors and franchisees.
    - Make it easier for small businesses to operate in the sector including through better access to dispute resolution.
- **Access to justice** - $2.6m in funding to the Australian Small Business and Family Enterprise Ombudsman. The ASBFEO assists and advocates for small businesses including helping to resolve disputes.

FUNDING ATO PRIORITY TARGETS

Specific funding has been provided to the ATO for key targets. These include:

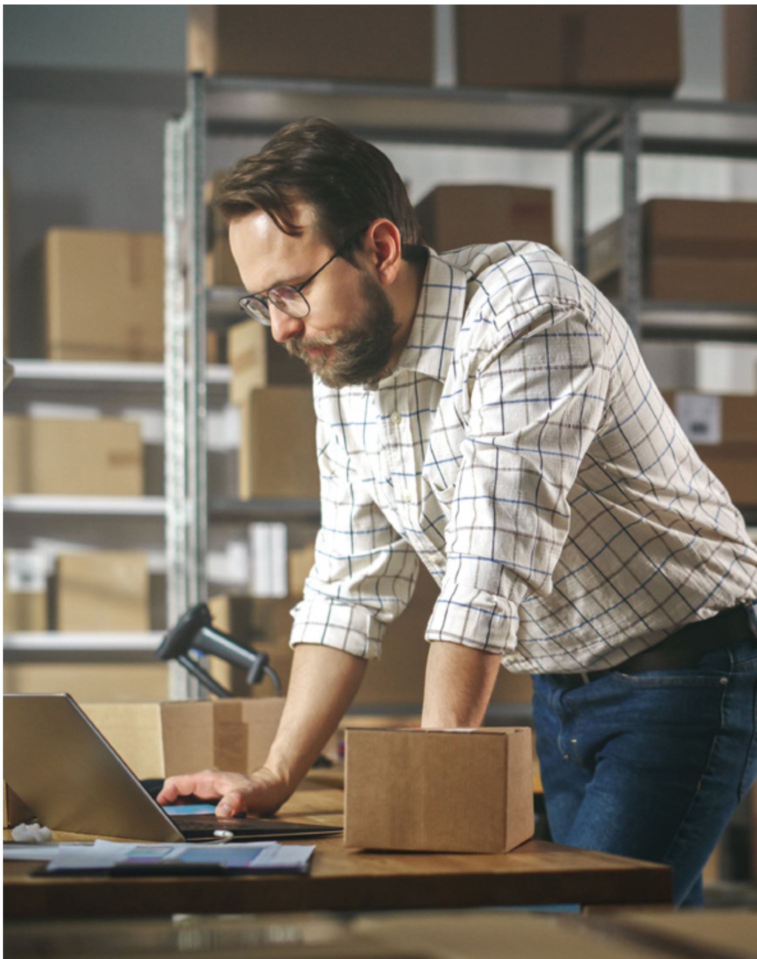
Personal income tax - The ATO's Personal Income Tax Compliance Program will be extended for one year from 1 July 2027. This measure is estimated to increase receipts by $180.3 million and increase payments by $44.3 million over the 5 years from 2023–24.

The shadow economy - the ATO's Shadow Economy Compliance Program will be extended for two years from 1 July 2026. This measure is estimated to increase receipts by $1.9 billion and increase payments by $610.2 million over the 5 years from 2023–24. This includes an increase in GST payments to the states and territories of $429.6 million.

Anti-avoidance taskforce - extend the ATO's Tax Avoidance Taskforce for two years from 1 July 2026. This measure is estimated to increase receipts by $2.4 billion and increase payments by $1.2 billion over the 5 years from 2023–24.

The Tax Avoidance Taskforce has a strong focus on the top 1,100 public and multinational businesses and the top 500 privately owned roups, but also covers all 5,000 high wealth private groups that control net wealth exceeding $50 million and public and multinational businesses outside of the ATO's justified trust programs.

As of 30 June 2023, the taskforce has assisted the ATO raise $32.7 billion in tax liabilities.



Child care providers – $4.8 million over four years from 2024–25 to ensure satisfactory engagement with the Australian tax system regarding fitness and propriety requirements of existing and new child care providers (relating to the Child Care Subsidy Program).

Identify checking – $155.6 million over two years from 2024–25 to continue operating and improving the Government's Digital ID, myGovID, and the system which supports authorised access to a range of government business services.

Migrant workers – $1.9 million in 2024–25 for a data-matching pilot between the Department of Home Affairs and the ATO of income and employment data to mitigate exploitation of migrant workers and abuse of Australia's labour market and migration system.

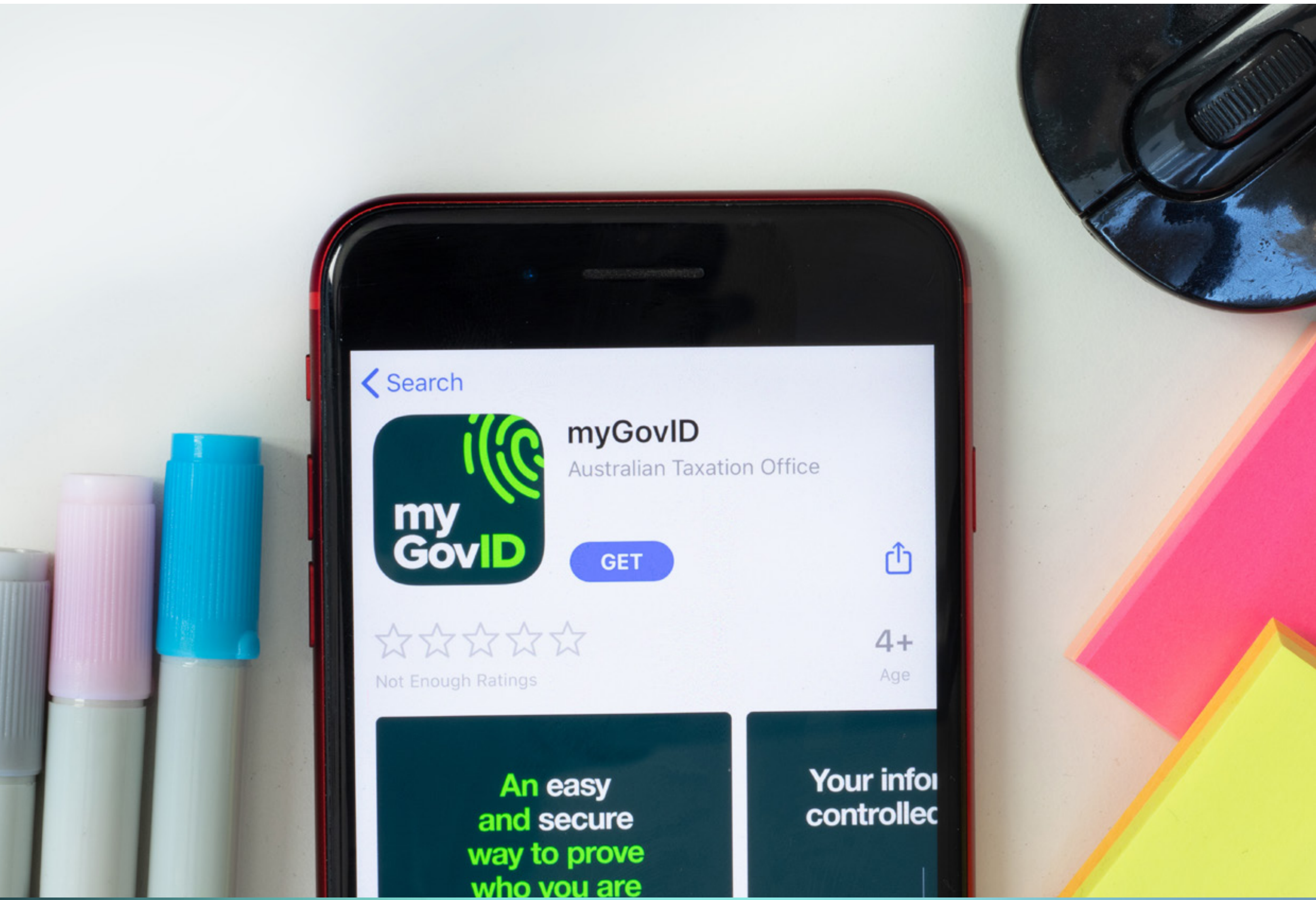
E-invoicing – $23.3 million over four years from 2024–25 to continue to oversee and operate the secure eInvoicing network as part of the Government's work to combat scams and online fraud through the introduction of mandatory industry codes to be established under a Scams Code Framework and increased use of the secure eInvoicing network.

PURSUING ENTITIES IN LIQUIDATION WITH UNPAID SUPERANNUATION OBLIGATIONS

From 1 July 2024

The Government has announced that it will recalibrate the *Fair Entitlements Guarantee Recovery Program* to pursue unpaid superannuation entitlements owed by employers in liquidation or bankruptcy from 1 July 2024.

The *Fair Entitlements Guarantee Recovery Program* aims to improve the recovery of employment entitlements advanced under the Fair Entitlements Guarantee (FEG). The FEG is a legislative safety net scheme of last resort with assistance available for eligible employees.[1]



GENDER EQUALITY

WOMEN'S BUDGET STATEMENT

This year, the Government launched Australia's first national strategy with an explicit focus on achieving gender equality. *Working for Women: A Strategy for Gender Equality (Working for Women)* is the Government's ten-year commitment to 'shift the dial' on gender equality.

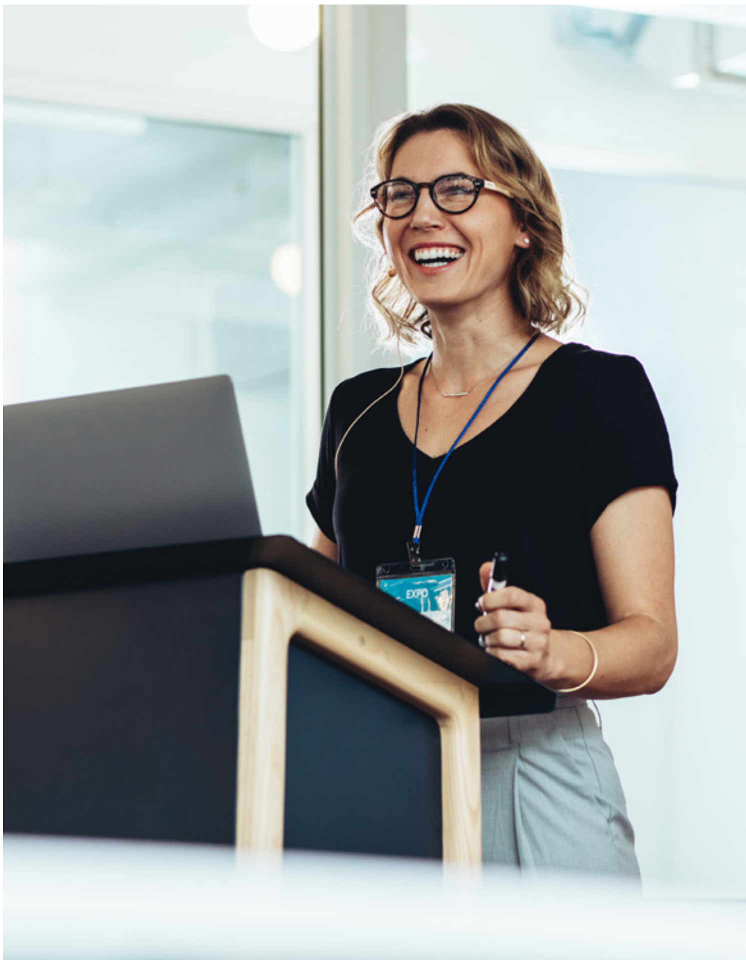
The Women's Budget Statement is now a reporting mechanism for Working for Women. From this Budget onward, the Women's Budget Statement will report on the Government's investments to implement Working for Women.

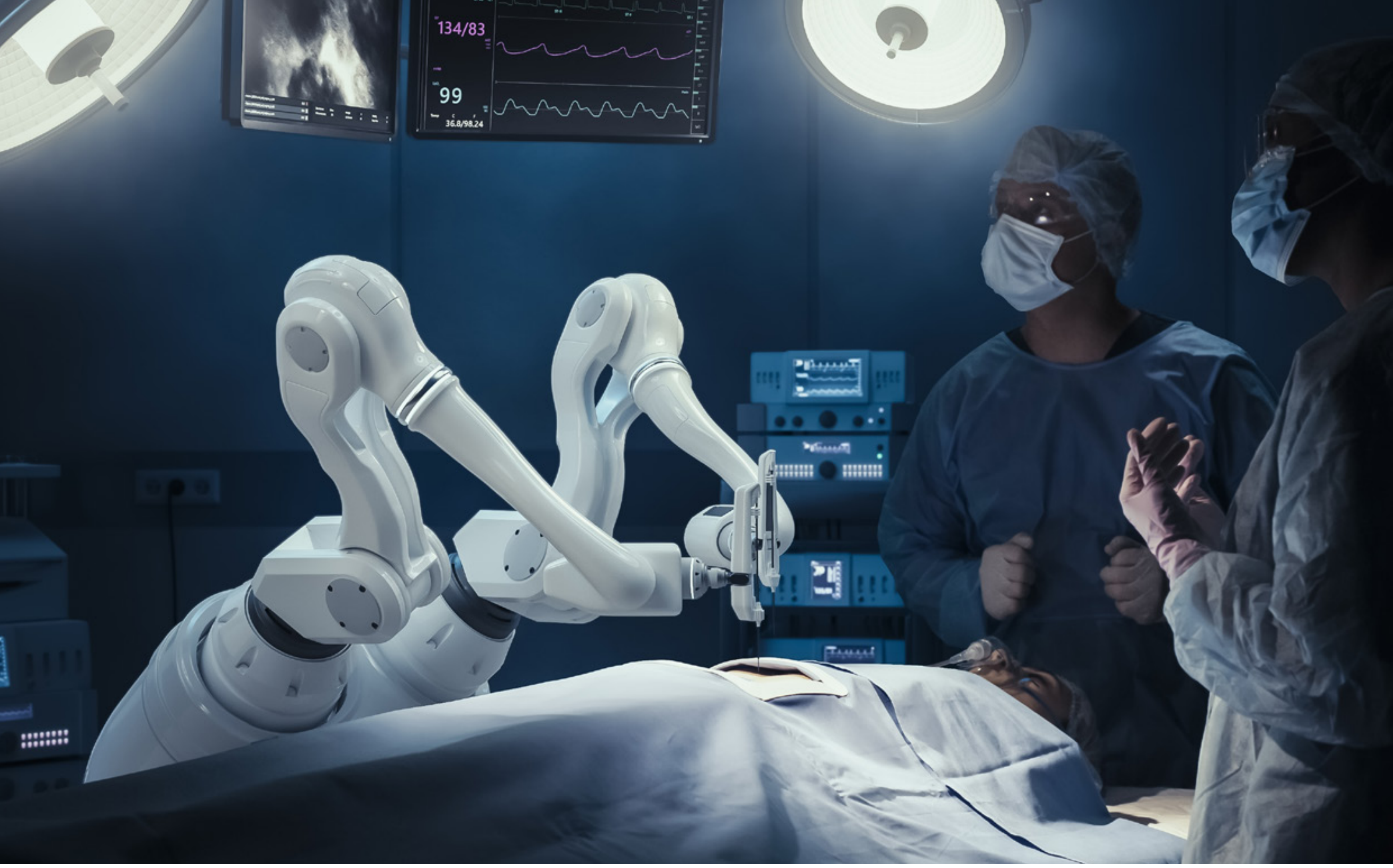
The 2024–25 Women's Budget Statement focuses on five priorities, which mirror the priority areas of Working for Women:

1. Gender-based violence
2. Unpaid and paid care
3. Economic equality and security
4. Health
5. Leadership, representation and decision making.

The Government has announced measures as part of the Federal Budget to:

- Take urgent action through the National Plan to End Violence against Women and Children 2022–2032 to address the epidemic rates of violence in Australia.
- Permanently establish ongoing financial support through the Leaving Violence Program for victim-survivors leaving a violent intimate partner relationship.
- Increase funding to assist women and children fleeing domestic violence with crisis and transitional accommodation.
- Provide cost-of-living relief to all women taxpayers and reduce disincentives to their workforce participation via the legislated tax cuts.
- Deliver additional energy bill relief and increase the maximum rates of Commonwealth Rent Assistance.
- Invest in women's health to address the higher health costs faced by women, while ensuring greater choice, access and support.
- Reform the HELP debt indexation and introduce a new Commonwealth Prac Payment.
- Introduce a superannuation guarantee equivalent payment on Government-funded Paid Parental Leave from 1 July 2025.
- Provide funding towards wage increases for aged care workers and early childhood educators.
- Introduce the Building Women's Careers program that will boost women's participation in construction, clean energy and advanced manufacturing industries, and technology and digital sectors (as part of the Future Made in Australia initiative to reduce industry gender segregation).





FUTURE TECHNOLOGY

SAFE AND RESPONSIBLE A.I.

$39.9 million over five years from 2023–24 will be provided for the development of policies and capability to support the adoption and use of artificial intelligence (AI) technology in a safe and responsible manner, including:

- $21.6 million over four years from 2024–25 to establish a reshaped National AI Centre (NAIC) and an AI advisory body within the Department of Industry, Science and Resources
- $15.7 million over two years from 2024–25 to support industry analytical capability and co-ordination of AI policy development, regulation and engagement activities across government, including to review and strengthen existing regulations in the areas of health care, consumer and copyright law
- $2.6 million over three years from 2024–25 to respond to and mitigate against national security risks related to AI.

The Digital Transformation Agency will also develop and implement policies to position government as an exemplar in the use of AI, with costs to be met from within existing resources.

QUANTUM COMPUTING CAPABILITY DEVELOPMENT

$466.4 million has been provided for a financing package of equity and loans provided by Export Finance Australia on the National Interest Account to PsiQuantum Pty Ltd to support the construction and operation of quantum computing capabilities and associated investment in industry and research development in Brisbane, as part of a joint investment with the Queensland Government. Additional funding of $27.7 million over 11 years from 2023–24 will also be provided for the Department of Finance, the Department of Foreign Affairs and Trade, the Department of Industry, Science and Resources and the Department of the Treasury to manage and provide oversight of this investment. The financial implications of the financing package are not for publication (nfp) due to commercial sensitivities.

THE ECONOMY

KEY STATISTICS

- **GDP** – Real GDP growth of 1.75% in 2023–24. Growth is expected to remain subdued at 2% in 2024-25 and 2.25% in 2025-26.
- **Inflation** – The Government expects inflation to be within target by the end of 2024. The RBA's most recent view is that inflation is not expected to return to the target range of 2-3% until the second half of 2025, and to the midpoint in 2026. Global inflation remains elevated and is not expected to return to central bank targets until 2025.
- **Unemployment** – The unemployment rate remaining near its 50 year low at 3.8% - the participation rate is near its record high at 66.6%. Unemployment is expected to rise but remain below pre-pandemic levels.
- **Wages** – *Nominal* wages over 2023–24 have grown at their fastest rate in nearly 15 years. It is expected to soften to 3.25% in 2024-5 and 2025-6. *Real* wages are expected to continue to pick up and grow by 0.5% the year to the June quarter 2024.
- **Business investment** – growth of 8.3% last year.

The first four years of this decade have tested the economy and the resilience of all Australians: floods and bushfires, a once-in-a-century global pandemic, followed by the most significant international energy crisis in 50 years. The combined impact of these events resulted in economic consequences on supply chains, energy prices, inflation and interest rates.[2] These events may seem like distant memories but they continue to impact the economy.

Australia is continuing to face ongoing global uncertainty stemming from persistent inflation in North America; growth slowing in China and other major economies; the United Kingdom and Japan both finishing the year in recession; and tensions rising in the Middle East and Eastern Europe.[3]

INFLATION AND CASH RATE

Inflation is moderating but still high compared to the target range of 2 to 3% required by monetary policy.

Michelle Marquardt, ABS head of prices statistics[4]:

"Annually, the CPI rose 3.6 per cent to the March 2024 quarter. While prices continued to rise for most goods and services, annual CPI inflation was down from 4.1 per cent last quarter and has fallen from the peak of 7.8 per cent in December 2022."

Inflation has increased the cost of living, as Australian households are paying more to purchase the same goods and services.

The surplus in 2022–23 took some pressure off inflation, allowing the Government to fund their priorities and reduce debt interest. All encouraging signs, but the Government acknowledges it still needs to reduce inflation further and faster. The budget measures seek to ease inflation and not add to it.[5]

The cash rate is currently at 4.35%[6], the RBA last raised the cash rate on 7 November 2023 by 0.25% to return inflation to the target range in a reasonable timeframe. The price of goods is moderating but services remain inflated.[7] Overall, higher interest rates have led people to cut back on spending. This is slowing economic growth and bringing demand into better balance with supply.

ANNEXURE 1

PERSONAL INCOME TAX RATES FROM 1 JULY 2024

Resident individuals

Tax rate	2023-24	2024-25
0%	$0 – $18,200	$0 – $18,200
16%		$18,201 – $45,000
19%	$18,201 – $45,000	
30%		$45,001 – $135,000
32.5%	$45,001 – $120,000	
37%	$120,001 – $180,000	$135,001 – $190,000
45%	>$180,000	>$190,000

Non-resident individuals

Tax rate	2023-24	2024-25
30%		$0 – $135,000
32.5%	$0 – $120,000	
37%	$120,001 – $180,000	$135,001 – $190,000
45%	>$180,000	>$190,000

Working holiday makers

Tax rate	2023-24	2024-25
15%	$0 – $45,000	$0 – $45,000
30%		$45,001 – $135,000
32.5%	$45,001 – $120,000	
37%	$120,001 – $180,000	$135,001 – $190,000
45%	>$180,000	>$190,000

02 9560 3777
stevenjmiller.com.au
stanfordbrown.com.au