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McKinley Plowman Federal Budget Update 2024-25

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Contents

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Introduction

The 2024-25 Federal Budget was handed down on Tuesday 14 May 2024 by Treasurer Jim Chalmers of the Albanese government. Mr Chalmers indicated a $9.3 billion surplus this financial year, following a $4 billion surplus last financial year. This is only the second consecutive budget surplus in two decades – however the likelihood is there will be three years of deficit from next financial year.

There is certainly not much in this Budget for businesses, however there are a few noteworthy inclusions and welcome relief for individuals. Here are the highlights from this year's Federal Budget:

- Cost of Living relief:
    - $300 energy bill relief for all Australian households and $325 for eligible small businesses - applied as an automatic quarterly credit.
- Tax reforms:
    - Stage 3 Tax Cuts (previously announced)
    - Extension of the Instant Asset Write-Off Scheme for small businesses
- Education, training and HECS changes:
    - Student debts lowered due to reforms in HECS indexation
    - Commonwealth Prac Payment for eligible students completing practical placements
    - Expanded eligibility for apprentice payments relating to learning "clean energy skills"
    - $90m towards 15,000 fee-free TAFE and VET places to get more workers into the construction industry
- Housing:
    - $1 billion for crisis and transitional accommodation for women.
    - $400m federal homelessness funding.
    - Commonwealth rent assistance maximum rate increase: 10% from 20 Sept 2024.
- Future Made in Australia (Local Manufacturing):
    - $1bn for the Solar SunShot program (increase number of Aus-made solar panels).
    - $2bn for the Hydrogen Headstart scheme (accelerate green hydrogen industry).
- Health and aged care:
    - $8.5bn additional health & Medicare funding, incl. $227m for 29 urgent care clinics.
    - $20m for childhood brain cancer research.
    - $49.1m support for those with endometriosis and other gynaecological conditions.
    - Increase to the Commonwealth rent assistance maximum rates by 10% from 20 September 2024.
- Paid parental leave: Addition of superannuation to paid parental leave from next July

Note these Budget measures are subject to the passage of legislation. At McKinley Plowman, we're dedicated to helping our clients make the most of the measures announced in the budget. If you require assistance or further information about the contents of the Budget, and how they might affect you or your business, please reach out. Our dedicated teams in the areas of accounting, taxation, bookkeeping, superannuation, and finance are on hand to assist.

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Businesses

$325 energy relief for small business

Around one million small businesses will receive $325 off their energy bills over 2024–25. The support will apply as an automatic quarterly credit to energy bills. Energy relief will also be provided to households in the form of a $300 rebate. Costing $3.5bn over three years from 2023-24, the measure extends and expands the Energy Bill Relief Fund.

$20k Small business instant asset write-off extended

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.

The "Future Made in Australia" initiative

The Government has announced a bold initiative to make Australia a "renewable energy superpower." The $22.7 billon series of initiatives is designed to foster and encourage significant private sector investment into priority industries necessary to harnessing the economic and industrial benefits of the move to net zero and securing Australia's place in a changing global economic and strategic landscape.

The Future Made in Australia Act will establish the policy framework - the focus will be on industries in which Australia has a genuine economic advantage, where it contributes to an orderly path to net zero, where it builds on the capabilities of the people and regions and improves Australia's national security and economic resilience.

As part of the Future Made in Australia initiative, the Government will provide an estimated $19.7 billion over ten years from 2024–25 to accelerate investment in Future Made in Australia priority industries including renewable hydrogen, green metals, low carbon liquid fuels, refining and processing of critical minerals and manufacturing of clean energy technologies including in solar and battery supply chains.

Small business support services

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 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.

BAS notification period extension

The time the ATO has to notify a taxpayer if it intends to retain a BAS refund for further investigation will be extended from 14 days to 30 days.

Individuals

Personal income tax cuts confirmed

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.

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 markers

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

**doesn't include Medicare levy and Medicare levy surcharge if applicable*

Medicare levy low-income thresholds increase

The Medicare levy low-income thresholds will be increased for singles, families, and seniors and pensioners from 1 July 2023.

Medicare low-income threshold	Threshold as at 30 June 2023	Threshold from 1 July 2023
Singles	$24,276	$26,000
Families	$40,939	$43,846
Single - seniors and pensioners	$38,365	$41,089
Family - seniors and pensioners	$53,406	$57,198
Family - for each dependent child or student[1]	$3,760	$4,027

The increases to the thresholds take account of recent movements in the CPI so that low-income taxpayers generally continue to be exempt from paying the Medicare levy.

[1] For each dependent child or student, the family income threshold increases by the stated amount.

$300 energy relief for households

Households will receive a credit of $300 on their energy bills credited as automatic quarterly instalments across 2024-25. Energy relief will also be provided to eligible small businesses in the form of a $325 rebate. Costing $3.5bn over three years from 2023-24, the measure extends and expands the Energy Bill Relief Fund.

Capping indexation of HELP debts

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 in their tax return.*

Superannuation on paid parental leave

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.

Freezing social security deeming rates

When calculating Centrelink and Department of Veterans affairs payments, rather than assessing the actual income from financial investments, a deemed rate of return based on the total value of these investments is assumed. Some common examples of financial investments include bank accounts, term deposits, shares and managed funds. The Government proposes to freeze the deeming rates (shown below) until 1 July 2025:

Deeming rate	**Single**	**Pensioner Couple**
0.25%	Up to $60,400	Up to $100,200
2.25%	Amounts over $60,400	Amounts over $100,200

Increasing Commonwealth rent assistance

The Commonwealth rent assistance maximum rates will increase by 10% from 20 September 2024. Recipients of Centrelink/Department of Veterans Affairs payments and those receiving family tax benefit may also receive rent assistance if they are paying rent or other rent like payments over a minimum fortnightly threshold.

The current maximum fortnightly rates are $188.20 for a single person and $177.20 combined for a couple. The measure will cost $1.9 billion over five years from 2023–24 (and $0.5 billion per year ongoing from 2028–29), and builds on the 15% increase in September 2023, taking the maximum rates over 40% higher than in May 2022.

Improving aged care support

The Government will provide $2.2bn over the next five years to deliver key aged care reforms and to continue to implement recommendations from the Royal Commission into Aged Care Quality and Safety. This funding includes the release of an additional 24,100 home care packages in 2024-25. The Government has also agreed to defer commencement of the new Aged Care Act to 1 July 2025.

The Government is currently in the middle of considering and implementing changes to the way aged care is funded on the back of the Royal Commission into Aged Care Quality and Safety report released in 2021. This will likely impact home care and residential care fees in the future. Generally, with past reform we have seen existing residents and home care recipients 'grandfathered' under the rules at the time they entered.

Increased flexibility for carer payment

Currently, to receive the Centrelink Carer Payment, the care giver is required to not be involved in work, study or training for more than 25 hours per week. This is to reflect the requirement that to receive this payment the care giver should be providing the care recipient with 'constant care'. From 20 March 2025, the existing 25 hours per week will be amended to 100 hours over four weeks. This limit will no longer capture study, volunteering and travel time so will only apply to employment.

In addition:

- Carer Payment recipients exceeding the participation limit or their allowable temporary cessation of care days will have payments suspended up to six months, rather than cancelled.
- Recipients will also be able to use single temporary cessation of care days where they exceed the participation limit, rather than the current seven day minimum.

Higher JobSeeker rate for partial capacity to work

The Government will extend eligibility for the existing higher rate of JobSeeker payment to single recipients with a partial capacity to work (zero to 14 hours per week) from 20 September 2024. Currently, those on JobSeeker payments aged 55 or over and who have been on the payment for nine continuous months receive a higher rate of payment.

Pharmaceutical Benefits Scheme co-payments

The Government will ensure that the cost of medicines remains low by freezing indexation:

- PBS general co-payments to not be indexed between 1 January 2025 and 31 December 2025 (inclusive), with indexation resuming on 1 January 2026
- PBS concessional co-payments to not be indexed between 1 January 2025 and 31 December 2029 (inclusive), with indexation resuming on 1 January 2030

The $1 optional discount available on patient co-payments for subsidised prescriptions will be reduced each year by the relevant notional indexation amount until the $1 discount has been reduced from $1 to zero. From 1 January 2024, you may pay up to $31.60 for most PBS medicines, or $7.70 if you have a concession card. The Australian Government pays the remaining cost (with the exception of brand premiums and certain other allowable charges).

Other Important Budget Items

Expanding CGT regime for foreign residents

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 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.

Federal, state and territory governments focus on housing

Housing initiatives address three key areas:

1. Private commercial development of future housing supply – the Government has outlined an ambitious goal of building 1.2 million homes by the end of the decade. The 2023-24 Budget announced new measures to encourage investment and development of housing, particularly build-to-rent developments that included affordable housing. However, the draft legislation enabling the announced incentives has only recently been released by Treasury. It is difficult to encourage large scale investment if you do not follow through with legislation which provides certainty. No new measures have been announced to date.
2. Support to help ease the path to home ownership for first home buyers – also a policy dominant in the 2023-24 Budget with $5.5bn over a decade committed to the Help to Buy scheme. No new incentives have been announced to date.
3. Crisis and social housing support – the Government has announced $1bn directed towards crisis and transitional accommodation for women and children fleeing domestic violence, and youth. This measure is on top of the 15% increase to Commonwealth Rent Assistance in the 2023-24 Budget.

As previously announced, much of the Budget funding however flows to the States and Territories to increase housing stock, increase social housing, and provide crisis accommodation. New measures include:

- $1bn for states and territories to build the roads, sewers, energy, water and community infrastructure; and
- A new $9.3 billion 5-year National Agreement on Social Housing and Homelessness – for states and territories to combat homelessness, provide crisis support and build and repair social housing. This includes a doubling of Commonwealth homelessness funding to $400 million every year, matched by states and territories.

Domestic violence

As previously announced, the Government has committed almost $1bn over 5 years to permanently establish the Leaving Violence Program – so those escaping violence can receive financial support, safety assessments and referrals to support pathways. Those eligible will be able to access up to $5,000 in financial support along with referral services, risk assessments and safety planning.

Please note these Budget measures are subject to the passage of legislation.

How McKinley Plowman Can Help

If you would like more guidance or information about the measures announced in the Budget and how they might impact your business, superannuation, or personal finance, please do not hesitate to reach out to the McKinley Plowman team on 08 9325 2411 (Perth), 08 9301 2200 (Joondalup), or contact us via our website.