

2023 Federal Budget

The Federal Treasurer Jim Chalmers handed down the 2023 Federal Budget on 9 May 2023. The following is a list of highlights from a tax and business perspective.

Businesses

Small business instant asset write-off

Small businesses with aggregated annual turnover of less than \$10 million will be able to immediately deduct eligible depreciating assets costing less than \$20,000, which are first used or installed ready for use between 1 July 2023 and 30 June 2024. The \$20,000 threshold will apply on a per asset basis, so small businesses can instantly write off multiple assets.

With the *temporary full expensing* finishing on 30 June 2023, extra care will be needed to confirm the delivery and installation of new assets over the new \$20,000 limit.

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.

Halving the increase in quarterly tax instalments

The Government will amend the tax law to set the GDP adjustment factor for pay as you go ('PAYG') and GST instalments at 6% for the 2024 income year, a reduction from 12% under the statutory formula. The reduced factor will provide cash flow support to small businesses and other PAYG instalment taxpayers.

The 6% GDP adjustment rate will apply to small businesses and individuals who are eligible to use the relevant instalment methods (up to \$10 million aggregated annual turnover for GST instalments and \$50 million aggregated annual turnover for PAYG instalments), in respect of instalments that relate to the 2024 income year and fall due after the enabling legislation receives Royal Assent.

‘Payday’ super – Increasing payment frequency of employee super

From 1 July 2026, employers will be required to pay their employees’ super at the same time they pay their wages. This will enable employees to track their entitlements to ensure they are being paid on time and in full. Currently, superannuation is required to be paid quarterly.

The Government will undertake a consultation process with the aim of providing details of the final design of the measure in the 2024-25 Federal Budget.

Increasing the visibility of unpaid super for the ATO

The Government is investing \$27 million in 2023–24 for the ATO to improve data capabilities, including matching both employers and super fund data at scale. The ATO will also receive \$13.2 million to consult and co-design with stakeholders on a new ATO compliance system which will proactively identify instances of under or unpaid super in near-real time.

Small Business Energy Incentive

Small and medium businesses, with aggregated annual turnover of less than \$50 million, will be able to deduct an additional 20 per cent of the cost of eligible depreciating assets that support electrification and more efficient use of energy. Up

to \$100,000 of total expenditure will be eligible for the Small Business Energy Incentive, with the maximum bonus deduction being \$20,000.

A range of depreciating assets, as well as upgrades to existing assets, will be eligible for the Small Business Energy Incentive. These will include assets that upgrade to more efficient electrical goods such as energy-efficient fridges, assets that support electrification such as heat pumps and electric heating or cooling systems, and demand management assets such as batteries or thermal energy storage. Full details of eligibility criteria will be finalised in consultation with stakeholders.

Eligible assets will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024. Eligible upgrades will also need to be made in this period.

Hybrid cars excluded from FBT exemption for electric cars

As previously announced, plug-in hybrid electric cars will be excluded from the fringe benefits tax (FBT) exemption for eligible electric cars from 1 April 2025.

Arrangements entered into between 1 July 2022 and 31 March 2025 can remain eligible for the FBT exemption as long as the exemption applied to the car before 1 April 2025 and the employer has a financially binding commitment to continue providing private use of the car on and after this date.

Small business ATO compliance

Among the programs to reduce the compliance burden on small business is a series of initiatives to cut paperwork. These include:

- From 1 July 2024, small businesses will be permitted to

authorise their tax agent to lodge multiple Single Touch Payroll forms on their behalf.

- From 1 July 2024, the Australian Taxation Office (ATO) will reduce the use of cheques for income tax refunds.
- From 1 July 2025, small businesses will be permitted up to 4 years to amend their income tax returns (generally 2 years).

Small business lodgment penalty amnesty

Small businesses with an aggregated turnover of less than \$10m, will be able to access a lodgment penalty amnesty program. The amnesty will remit failure-to-lodge penalties for outstanding tax statements lodged in the period from 1 June 2023 to 31 December 2023 that were originally due during the period from 1 December 2019 to 29 February 2022.

Individuals & families

Energy price plan relief

\$1.5bn has been provided over 5 years to provide targeted energy bill relief and progressing gas market reform.

The Energy Bill Relief Fund will provide targeted energy bill relief to eligible households and small business customers, which includes pensioners, Commonwealth Seniors Health Card holders, Family Tax Benefit A and B recipients and small business customers of electricity retailers.

In partnership with the states and territories, the plan is expected to deliver up to **\$500 in electricity bill relief for eligible households** and up to **\$650 for eligible small businesses**.

Household energy upgrade fund

A \$1.3bn Household Energy Upgrades Fund will be established to support home upgrades that improve energy performance. No, the Government is not giving out cash for upgrades but providing \$1bn to the Clean Energy Finance Corporation **to provide low-cost finance and mortgages** in partnership with private financial institutions for home upgrades that save energy.

Access to home guarantee scheme expanded to friends and siblings

As previously announced, from 1 July 2023, access to the Government's [Home Guarantee Scheme](#) will be expanded to joint applications from "friends, siblings, and other family members" and to those who have not owned a home for at least 10 years.

30% tax on super earnings above \$3m

An additional tax of 15% on earnings will apply to individuals with a total superannuation balance over \$3 million at the end of a financial year from 1 July 2025. The definition of total superannuation balance (TSB) for the new tax uses the current definition and includes amounts in retirement phase pensions.

The calculation for the tax aims to capture growth in TSB over the financial year allowing for contributions (including insurance proceeds) and withdrawals. This method captures both realised and unrealised gains, enabling negative earnings to be carried forward and offset against future years.

Individuals will have the choice of paying the tax personally or from their superannuation fund and those with multiple accounts can nominate which fund will pay the tax.

We will provide updates as more news/ information comes to light. As always, it's important to note that the budget announcements aren't real until the legislation has been finalised.

If you have any questions about how the Budget has affected you or your business, please contact our office on 08 6118 6111 or email hello@prescottsolutions.com.au

More Information

- Budget 2023-24 – [Budget.gov.au](https://budget.gov.au)
- Budget Measures Budget Paper No. 2 2023–24
https://budget.gov.au/content/bp2/download/bp2_2023-24.pdf
- ATO: Latest news on tax law and policy
<https://www.ato.gov.au/General/New-Legislation/Latest-news-on-tax-law-and-policy/>

Whilst every care has been taken in its preparation no person should act specifically on the basis of the material contained herein. If assistance is required, professional advice should be obtained.

The material contained in the 2023-24 Budget Update should be used as a guide in conjunction with professional expertise and judgement. All responsibility for applications of the 2023-24 Budget Update and for the direct or indirect consequences of decisions based on the 2023-24 Budget Update rests with the user.