

2024-2025 Federal Budget Announcement

Tax & Superannuation Report 14 May 2024



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2024–25 Federal Budget Highlights

The Federal Treasurer, Dr Jim Chalmers, handed down the 2024–25 Federal Budget at 7:30 pm (AEST) on 14 May 2024.

Described as a “responsible Budget that helps people under pressure today”, the Treasurer has forecast a second consecutive surplus of \$9.3 billion. The main priorities of the government, as reflected in the Budget, are helping with the cost of living, building more housing, investing in skills and education, strengthening Medicare and responsible economic management to help fight inflation.

The key tax measures announced in the Budget include extending the \$20,000 instant asset write-off for eligible businesses by 12 months until 30 June 2025, introducing tax incentives for hydrogen production and critical minerals production, strengthening foreign resident CGT rules and penalising multinationals that seek to avoid paying Australian royalty withholding tax.

The Budget also includes various amendments to previously announced measures, as well as a number of income tax measures that have already been enacted prior to the Budget announcement, including:

- the revised stage 3 personal income tax cuts (enacted by the *Treasury Laws Amendment (Cost of Living Tax Cuts) Act 2024 (Act No 3 of 2024)*)
- Medicare levy and surcharge threshold changes (enacted by the *Treasury Laws Amendment (Cost of Living—Medicare Levy) Act 2024 (Act No 4 of 2024)*), and
- a specific exemption for Australian plantation forestry entities from the new earnings-based rules introduced as part of thin capitalisation reforms (enacted by the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share—Integrity and Transparency) Act 2024 (Act No 23 of 2024)*).

These enacted measures have not been discussed in detail in this report.

The government anticipates that the tax measures put forward will collectively improve the Budget position by \$3.1 billion over a 5-year period to 2027–28.

The full Budget papers are available at www.budget.gov.au and the Treasury ministers’ media releases are available at ministers.treasury.gov.au.

The tax, superannuation and social security highlights are set out below.

Income tax

- The instant asset write-off threshold of \$20,000 for small businesses applying the simplified depreciation rules will be extended for 12 months until 30 June 2025.
- The foreign resident CGT regime will be strengthened for CGT events commencing on or after 1 July 2025.
- A critical minerals production tax incentive will be available from 2027–28 to 2040–41 to support downstream refining and processing of critical minerals.
- A hydrogen production tax incentive will be available from 2027–28 to 2040–41 to producers of renewable hydrogen.
- The minimum length requirements for content and the above-the-line cap of 20% for total qualifying production expenditure for the producer tax offset will be removed.
- A new penalty will be introduced from 1 July 2026 for taxpayers who are part of a group with more than \$1 billion in annual global turnover that are found to have mischaracterised or undervalued royalty payments.
- The Labor government’s 2022–23 Budget measure to deny deductions for payments relating to intangibles held in low- or no-tax jurisdictions is being discontinued.

- The start date of a 2023–24 Budget measure to expand the scope of the Pt IVA general anti-avoidance rule will be deferred to income years commencing on or after assent of enabling legislation.
- Income tax exemptions for World Rugby and/or related entities for income derived in relation to the Rugby World Cup 2027 (men’s) and Rugby World Cup 2029 (women’s).
- Deductible gift recipients list to be updated.

Social security

- Social security deeming rates will be frozen at their current levels for a further 12 months until 30 June 2025.
- Carer payment recipients will have greater flexibility with their participation requirements.
- Eligibility for the higher rate of Jobseeker payment will be extended to single recipients with a partial capacity to work of zero to 14 hours per week.
- The maximum rates of the Commonwealth Rent Assistance will increase by 10% from 20 September 2024.
- Funding will be provided to implement a social security means test treatment for military invalidity payments affected by the Full Federal Court’s decision of *FC of T v Douglas* [2020 ATC ¶20-773](#); [2020] FCAFC 220.
- Funding will be provided to enable Australia to enter into a bilateral social security agreement with Uruguay.
- Foreign investors will be allowed to purchase established build-to-rent properties with a lower foreign investment fee.

Superannuation

- Superannuation will be paid on government-funded paid parental leave (PPL) for parents of babies born or adopted on or after 1 July 2025.
- The Fair Entitlements Guarantee Recovery Program will be recalibrated to pursue unpaid superannuation entitlements owed by employers in liquidation or bankruptcy from 1 July 2024.

Tax administration

- The ATO will be given a statutory discretion to *not* use a taxpayer’s refund to offset old tax debts on hold.
- Indexation of the Higher Education Loan Program (and other student loans) debt will be limited to the lower of either the Consumer Price Index or the Wage Price Index, effective from 1 June 2023.
- A pilot program of matching income and employment data of migrant workers will be conducted between the Department of Home Affairs and the ATO.
- A new ATO compliance taskforce will be established to recover tax revenue lost to fraud while existing compliance programs will be extended.
- The ATO will have additional time to notify a taxpayer if it intends to retain a business activity statement refund for further investigation.
- The 2019–20 Budget measure “Black Economy — Strengthening the Australian Business Number system” will not proceed.

GST

- Refunds of indirect tax (including GST, fuel and alcohol taxes) will be extended under the Indirect Tax Concession Scheme.

Excise and customs duty

- Tariffs identified as a nuisance across a range of imported goods will be removed from 1 July 2024.

- The start dates for certain components of a measure to streamline excise administration for fuel and alcohol announced in the Coalition government's 2022–23 Budget will be deferred.

Income tax

Small business depreciation – instant asset write-off threshold of \$20,000 extended to 2024–25

The instant asset write-off threshold of \$20,000 for small businesses applying the simplified depreciation rules will be extended for 12 months until 30 June 2025.

Small businesses (aggregated annual turnover less than \$10 million) may choose to calculate capital allowances for depreciating assets under a simplified regime in Subdiv 328-D of ITAA 1997. Under these simplified depreciation rules, an immediate write-off applies for low-cost depreciating assets. The measure will apply a \$20,000 threshold for the immediate write-off, applicable to eligible assets costing less than \$20,000 that are first used or installed ready for use by 30 June 2025.

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

The measure extends a 2023–24 Budget measure to increase the instant asset write-off threshold to \$20,000 for the 2023–24 income year. A Bill containing amendments to increase the instant asset write-off threshold for 2023–24 is currently before parliament. The Bill was amended by the Senate to increase the instant asset write-off threshold for 2023–24 to \$30,000 and extend access to the instant asset write-off to entities that are not small business entities but would be if the aggregated turnover threshold were \$50 million.

Source: Budget Paper No 2, pp 14–15; [Treasury Laws Amendment \(Support for Small Business and Charities and Other Measures\) Bill 2023](#).

Foreign resident CGT regime to be strengthened

The foreign resident CGT regime will be strengthened for CGT events that occur on or after 1 July 2025. In respect of such CGT events, the amendments will:

- clarify and broaden the types of assets that foreign residents are subject to CGT on
- change the point-in-time principal asset test to a 365-day testing period, and
- 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. This new ATO notification process will improve oversight and compliance with the foreign resident CGT withholding rules, where a vendor self-assesses their sale as not being taxable real property.

This measure will ensure that Australia can tax foreign residents on direct and indirect sales of assets with a close economic connection to Australian land, more in line with the existing tax treatment applying to Australian residents. It will also align Australia's taxation of foreign resident capital gains more closely with OECD standards and international best practice.

The government will consult on the implementation details of the measure.

Source: Budget Paper No 2, pp 17–18.

New critical minerals production tax incentive

A critical minerals production tax incentive will be available from 2027–28 to 2040–41 to support downstream refining and processing of Australia's 31 critical minerals to improve supply chain resilience.

In total, an estimated \$7.1 billion will be spent over 11 years from 2023–24 to support refining and processing of critical minerals, as part of the government’s Future Made in Australia initiative to make Australia a renewable energy superpower. This includes:

- the above critical minerals productive tax incentive, at an estimated cost of \$7.0 billion over 11 years from 2023–24, and
- \$10.2 million in 2024–25 for pre-feasibility studies for critical mineral common-user processing facilities, in partnership with state and territory governments.

Source: Budget Paper No 2, p 68.

New hydrogen production tax incentive

A hydrogen production tax incentive will be available from 2027–28 to 2040–41 to producers of renewable hydrogen to support the growth of a competitive hydrogen industry and Australia’s decarbonisation.

In total, an estimated \$8.0 billion will be spent over 10 years from 2024–25 to support the production of renewable hydrogen, as part of the government’s Future Made in Australia initiative to make Australia a renewable energy superpower. This includes:

- the above hydrogen production tax incentive, at an estimated cost of \$6.7 billion over 10 years from 2024–25
- \$1.3 billion over 10 years from 2024–25 for an additional round of the Hydrogen Headstart program to bridge the green premium for early-mover renewable hydrogen projects, and
- \$17.1 million over 4 years from 2024–25 (and an additional \$2.5 million in 2028–29) to deliver the 2024 National Hydrogen Strategy, including hydrogen infrastructure planning, social license and industry safety training and regulation.

Source: Budget Paper No 2, p 68.

Further changes to producer tax offset

The minimum length requirements for content and the above-the-line cap of 20% for total qualifying production expenditure for the producer tax offset will be removed.

To be eligible for the producer tax offset, films are currently required to meet minimum length requirements under s 376-65(3)–(5) of ITAA 1997. Different length requirements apply depending on the format of the content.

“Above-the-line” expenditure which can be qualifying production expenditure for the purposes of the producer tax offset is currently capped at 20% of total film expenditure for all films except documentaries under s 376-170(4)(b) of ITAA 1997. Such expenditure includes development expenditure on a film and remuneration provided to the principal director, producers and principal cast associated with a film.

Source: Budget Paper No 2, pp 151–152.

New penalties for large group entities mischaracterising or undervaluing royalty payments

A new penalty will be introduced from 1 July 2026 for taxpayers who are part of a group with more than \$1 billion in annual global turnover that are found to have mischaracterised or undervalued royalty payments, to which royalty withholding tax would otherwise apply.

Source: Budget Paper No 2, p 11.

Measure to deny deduction for payments relating to intangibles discontinued

The Labor government's 2022–23 Budget measure to deny deductions for payments relating to intangibles held in low- or no-tax jurisdictions is being discontinued.

An anti-avoidance rule was proposed in the [2022–23 Budget](#) to prevent significant global entities (SGEs) from claiming tax deductions for payments made directly or indirectly to related parties in relation to intangibles held in low- or no-tax jurisdictions. The measure would apply to payments made on or after 1 July 2023. [Exposure draft legislation](#) was then released on 31 March 2023. In its [2023–24 Mid-Year Economic and Fiscal Outlook](#) (MYEFO) the government announced that further amendments would be made to better target this measure.

This measure is now being discontinued. The integrity issues will instead be addressed through Australia's [implementation of the global and domestic minimum taxes](#) as part of the [OECD's Two Pillar solution](#) to address the tax challenges arising from the digitalisation of the economy under Action 1 of the Base Erosion and Profit Shifting (BEPS) project.

Source: Budget Paper No 2, p 11.

Expansion of Pt IVA general anti-avoidance rule delayed

The start date of a 2023–24 Budget measure to expand the scope of the general anti-avoidance rule in Pt IVA of ITAA 1936 will be deferred to income years commencing on or after assent of enabling legislation.

The government had announced in the 2023–24 Budget that the general anti-avoidance rule would be expanded to capture schemes that result in reduced Australian tax via lower withholding tax rates on income paid to foreign residents. The changes announced also included extending Pt IVA to schemes with a dominant purpose to reduce foreign income tax where the scheme achieved an Australian income tax benefit.

When first announced, the changes were to apply for income years starting on or after 1 July 2024. The changes will now apply for income years commencing on or after assent of enabling legislation, regardless of whether the scheme was entered into before that date.

Source: Budget Paper No 2, p 10.

Income tax exemptions for World Rugby

Further to the measure "Rugby World Cup 2027 (men's) and Rugby World Cup 2029 (women's)" announced in the Coalition government's 2022–23 Budget, income tax exemptions will be provided to World Rugby and/or related entities for income derived in relation to the Rugby World Cup 2027 (men's) and Rugby World Cup 2029 (women's) events (RWC events).

The exemptions will apply to income derived in relation to the RWC events for the 2023–24 to 2030–31 income years (inclusive). An exemption will also be provided from interest, dividend and royalty withholding tax liabilities arising from payments relating to RWC events.

Source: Budget Paper No 2, p 11.

Deductible gift recipients list to be updated

The list of specifically listed deductible gift recipients (DGRs) will be updated to list the following organisations as DGRs:

- The Hillview Foundation Australia Limited for gifts received from 1 July 2024 to 30 June 2029
- Skip Foundation Ltd for gifts received from 1 July 2025 to 30 June 2030, and
- Combatting Antisemitism Fund Limited for gifts received from 1 July 2025 to 30 June 2030.

DGR status has also been approved for the Australian Muslim Advocacy Network's AMAN Foundation Ltd.

The listing of Combatting Antisemitism Fund Limited and Skip Foundation Ltd is subject to charity registration with the Australian Charities and Not-for-profits Commission.

In addition, the listing of Skip Foundation Ltd is subject to the condition that DGR funds can only be used for purposes consistent with existing DGR categories in the tax law, and it will maintain minimum annual distributions consistent with the current requirements for ancillary funds.

The following organisations will be removed from the list of specifically listed DGRs as they are no longer operating:

- Don Chipp Foundation Ltd
- Ian Clunies Ross Memorial Foundation
- Ian Thorpe's Fountain for Youth
- Layne Beachley – Aim for The Stars Foundation Limited
- National Congress of Australia's First Peoples Limited
- Sir William Tyree Foundation
- SouthCare Helicopter Fund Pty Limited, and
- The Lingiari Policy Centre Limited.

Further, the Australian Charities and Not-for-profits Commission (Consequential and Transitional) Regulation 2016 will be remade with an extension of the current charity transitional reporting arrangement for 5 years.

Source: Budget Paper No 2, pp 13–14.

Social security

Social security deeming rates frozen

Social security deeming rates will be frozen at their current levels for a further 12 months until 30 June 2025. The lower deeming rate will remain at 0.25% and the upper deeming rate will remain at 2.25%.

Source: Budget Paper No 2, p 170.

Greater flexibility for carer payment recipients

Carer payment recipients will have greater flexibility with their participation requirements.

From 20 March 2025, the existing 25 hours per week participation limit for carer payment recipients will be amended to 100 hours over 4 weeks. In addition, the participation limit will only apply to employment and will no longer include study, volunteering activities and travel time.

Carer payment recipients exceeding the participation limit or their allowable temporary cessation of care days will have their payments suspended for up to 6 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 7-day minimum.

Source: Budget Paper No 2, p 166.

Eligibility for higher rate of Jobseeker payment to be extended

Eligibility for the higher rate of Jobseeker payment will be extended to single recipients with a partial capacity to work of zero to 14 hours per week from 20 September 2024.

The higher Jobseeker payment rate is currently provided to single recipients with dependent children and those aged 55 and over who have been receiving an income support payment for 9 continuous months or more.

Source: Budget Paper No 2, p 164; Budget Factsheet — Easing cost-of-living pressures, p 2.

Commonwealth Rent Assistance to increase

The maximum rates of the Commonwealth Rent Assistance (CRA) will increase by 10% from 20 September 2024 to help address rental affordability challenges for recipients.

This measure builds on the [2023–24 Budget](#) measure to increase the CRA maximum rates by 15%.

Source: Budget Paper No 2, p 167.

Social security means testing and the Douglas decision

Funding will be provided to implement a social security means test treatment for military invalidity payments affected by the Full Federal Court's decision of *FC of T v Douglas* [2020 ATC ¶120-773](#); [2020] FCAFC 220. In that case, the court held that, from 1 July 2007, certain invalidity pension payments for veterans and their beneficiaries were to be treated as superannuation lump sums, not as superannuation income stream benefits.

The funding of \$11.9 million over 5 years from 2023–24 (and \$0.9 million per year ongoing) will ensure that the *Douglas* decision does not affect income support payment rates for veterans who receive an invalidity payment from the Military Superannuation and Benefits Scheme and the Defence Force Retirement and Death Benefits Scheme, relative to the pre-*Douglas* arrangements.

Source: Budget Paper No 2, p 171.

Social security agreement between Australia and Uruguay

Funding will be provided to enable Australia to enter into a bilateral social security agreement with Uruguay. Social security agreements enable Australia and the agreement countries to share the costs of providing retirement income support to those who have split their working life between countries. Australia currently has 32 bilateral social security agreements in operation.

Source: Budget Paper No 2, p 169.

Lower foreign investment fee for build-to-rent properties

Foreign investors will be allowed to purchase established build-to-rent properties with a lower foreign investment fee.

The lower foreign investment fee will be conditional on the property continuing to be operated as a build-to-rent development. Foreign investors are generally prohibited from purchasing established dwellings unless the purchase is to redevelop the land resulting in an increase in dwellings or for a temporary resident's accommodation during the period of their Australian residency. An exception also applies for foreign companies providing accommodation for Australian-based staff.

The measure was first announced on 1 May 2024.

Source: Budget Paper No 2, p 75; Treasurer's press release "[Reforms to strengthen Australia's foreign investment framework](#)", 1 May 2024.

Superannuation

Super to be paid on government-funded paid parental leave

Superannuation will be paid on government-funded paid parental leave (PPL) for parents of babies born or adopted on or after 1 July 2025. Eligible parents will receive an additional payment based on the superannuation guarantee (12% of their PPL payments), as a contribution to their superannuation fund.

Payments will be made annually to individuals' superannuation funds from 1 July 2026.

Source: Budget Paper No 2, p 166; Budget Factsheet — [Broadening opportunity and advancing equality](#).

Recovery of unpaid super from liquidated or bankrupt employers

The Fair Entitlements Guarantee Recovery Program will be recalibrated to pursue unpaid superannuation entitlements owed by employers in liquidation or bankruptcy from 1 July 2024.

Source: Budget Paper No 2, p 96.

Tax administration

Statutory discretion for ATO to deal with tax refunds and debts on hold

The Commissioner of Taxation will be given a discretion to *not* use a taxpayer's refund to offset old tax debts where that debt had been put on hold before 1 January 2017. The tax law will be amended to provide for this ATO discretion which will apply to individuals, small businesses and not-for-profits. The discretion will maintain the ATO's current administrative approach to such debts.

Source: Budget Paper No 2, p 12.

Student loans indexation reform

Indexation of the Higher Education Loan Program (and other student loans) debt will be limited 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. The measure will apply retrospectively.

Source: Budget Paper No 2, p 63.

Data matching program for migrant workers income and employment

A pilot program matching income and employment data will be conducted between the Department of Home Affairs and the ATO to mitigate the exploitation of migrant workers and abuse of Australia's labour market and migration system. This measure forms part of broader reforms to the migration system.

Source: Budget Paper No 2, p 136.

Strengthening ATO's ability to combat fraud and extension of compliance programs

The ATO will be provided additional funding to continue various compliance programs. The current ATO Personal Income Tax Compliance Program will be extended for another year from 1 July 2027 to enable the ATO to continue its focus on emerging risks to the tax system. The Shadow Economy Compliance Program and the Tax Avoidance Taskforce will be extended for 2 years from 1 July 2026.

Funding will be provided to the ATO to improve its detection of tax and superannuation fraud, including to upgrade its information and communications technologies to be able to identify and block suspicious activity in real time. A new compliance task force will also be established to recover lost revenue and block attempts to obtain refunds fraudulently. Funding will also be provided to improve ATO's management and governance of its counter-fraud activities.

The ATO will also be given additional time within which to notify a taxpayer if it intends to retain a business activity statement (BAS) refund for further investigation. The current required notification period of 14 days will be extended to 30 days, aligning it with time limits for non-BAS refunds. This measure will take effect from the start of the first financial year after assent of the enabling legislation.

Source: Budget Paper No 2, pp 15–17.

2019–20 Budget measure on black economy will not proceed

The 2019–20 Budget measure "Black Economy — Strengthening the Australian Business Number system" will not proceed as integrity issues are being addressed through enhanced administrative processes implemented by the ATO.

Source: Budget Paper No 2, p 11.

GST

Refunds of indirect tax extended under Indirect Tax Concession Scheme

Refunds of indirect tax (including GST, fuel and alcohol taxes) will be extended under the Indirect Tax Concession Scheme (ITCS).

The Square Kilometre Array Observatory (SKAO) will have ITCS access upgraded for additional concessions to be claimed for the purchase of vehicles for personal use by SKAO officials or a member of their family. Additional concessions for commercial rent will also be formalised for existing ITCS packages for Bangladesh, Costa Rica, El Salvador and the Taipei Economic and Cultural Office. Construction and renovation concessions will be formalised for the existing ITCS package for the Netherlands. Concessions for both commercial rent and construction and renovation will be formalised for the existing ITCS package for Pacific Trade Invest.

Source: Budget Paper No 2, p 11.

Excise and customs duty

Removal of nuisance tariffs

Tariffs identified as a nuisance across a range of imported goods will be removed from 1 July 2024.

The measure will permanently set to “free” the rate of duty in sch 3 and sch 4A–15 of the *Customs Tariff Act 1995* on 457 tariff lines. These tariffs had been identified as a nuisance to Australian businesses, imposing unnecessary administrative costs and compliance burdens. Tariffs that will be removed relate to a range of imported goods, including household necessities such as toothbrushes, tools, fridges, dishwashers and clothing.

A [consultation paper](#) for this measure was released on 11 March 2024.

Source: Budget Paper No 2, p 7.

Streamlining of excise administration measures start date delayed

The start dates for certain components of a measure to streamline excise administration for fuel and alcohol announced in the Coalition government’s 2022–23 Budget will be deferred.

Components of the measure that relate to streamlining licence application and renewal requirements will commence the later of 1 July 2024 or the day following assent. The requirement for the ATO to publish on its website a public register of excise licences and excise equivalent warehouse licences will apply from 30 days following commencement of enabling legislation. In addition, the removal of regulatory barriers applying to bunker fuels for commercial shipping industries will apply from 1 January 2025, instead of 1 July 2024.

The changes were first announced in the Coalition government’s 2022–23 Budget with a start date of 1 July 2023. The start date for these changes was later deferred to 1 July 2024 in the 2023–24 Budget.

Source: Budget Paper No 2, p 10.