Cutcher&Neale
ACCOUNTING AND FINANCIAL SERVICES

2023-24 FEDERAL BUDGET SUMMARY

FOR DENTAL PROFESSIONALS

1. LONG TERM DENTAL FUNDING REFORM DEVELOPMENTAL WORK AND INTERIM FUNDING

The Government will provide $219.4 million over four years from 2023-24 to progress work on longer term adult public dental reform, extend the existing Public Dental Services for Adults funding agreement to 30 June 2025, and fund the2023–2026 National Dental Care Survey.

The Public Dental Services for Adults funding agreement supports dental health services for adults who rely on thepublic dental system, through the states and territories.

2. SMALL BUSINESS DEPRECIATION — INSTANT ASSET WRITE-OFF THRESHOLD OF $20,000 FOR 2023–24

The instant asset write-off threshold for small businesses applying the simplified depreciation rules will be $20,000 for the 2023–24 income year.

The measure will apply a $20,000 threshold for the immediate write-off, applicable to eligible assets costing less than $20,000 first used or installed 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 low-cost assets. The threshold had been suspended during the operation of temporary full expensing from 6 October 2020 to 30 June 2023.

Assets costing $20,000 or more will continue to be placed into a small business depreciation pool under the existing rules.

The provisions that prevent a small business entity from choosing to apply the simplified depreciation rules for five years after opting out will continue to be suspended until 30 June 2024.

3. INCREASED DEDUCTIONS FOR SMALL AND MEDIUM BUSINESS EXPENDITURE ON ELECTRIFICATION AND ENERGY EFFICIENCY

An additional 20 per cent deduction will be available for small and medium business expenditure supporting electrification and energy efficiency.

The additional deduction will be available to businesses with aggregated annual turnover of less than $50 million. Eligible expenditure may include the cost of eligible depreciating assets, as well as upgrades to existing assets that support electrification and more efficient use of energy. Certain exclusions will apply, including for electric vehicles, renewable electricity generation assets, capital works, and assets not connected to the electricity grid that use fossil fuels.

Examples of expenditure the measure will apply to include:

- assets that upgrade to more efficient electrical goods (energy-efficient fridges)
- assets that support electrification (heat pumps and electric heating or cooling systems), and
- demand management assets (batteries or thermal energy storage).

Total eligible expenditure for the measure will be capped at $100,000, with a maximum additional deduction available of $20,000 per business.

When enacted, the measure will apply to eligible assets or upgrades first used or installed ready for use between 1 July 2023 and 30 June 2024.

4. FBT EXEMPTION FOR ELIGIBLE PLUG-IN HYBRID ELECTRIC CARS TO END

The FBT exemption for eligible plug-in hybrid electric cars will end 1 April 2025.

Arrangements involving plug-in hybrid electric cars entered into between 1 July 2022 and 31 March 2025 remain eligible for the exemption.

5. ACCELERATED DEDUCTIONS AND REDUCED MIT WITHHOLDING TAX FOR NEW BUILD-TO-RENT PROJECTS

An increased capital works deduction rate will apply to eligible new build-to-rent projects where construction commences after 7:30 pm (AEST) on 9 May 2023.

The capital works deduction rate will increase from 2.5 per cent to 4 per cent per year for eligible new build-to-rent projects. Currently, the capital works deduction rate of 4 per cent per year only applies in relation to income-producing buildings used mainly for industrial activities and certain buildings providing short-term traveller accommodation.

The measure will apply to build-to-rent projects consisting of 50 or more apartments or dwellings made available for rent to the general public. The dwellings must be retained under single ownership for at least 10 years before being able to be sold and landlords will be required to offer a lease term of at least three years for each dwelling.

6. EMPLOYERS TO BE REQUIRED TO PAY SUPER GUARANTEE (SG) ON PAYDAY

Employers will be required to pay their employees' SG entitlements at the same time as they pay their salary and wages from 1 July 2026.

Employers are currently required to make SG contributions for an employee on a quarterly basis to avoid incurring a superannuation guarantee charge.

The proposed commencement date of 1 July 2026 is intended to provide employers, superannuation funds, payroll providers and other stakeholders sufficient time to prepare for the change.

Changes to the design of the superannuation guarantee charge will also be required to align with the increased payment frequency. The Government will consult with relevant stakeholders on the design of these changes, with the final framework to be considered as part of the 2024–25 Budget.

In addition, funding will be provided to the ATO to, among other things, improve data matching capabilities to identify and act on cases of SG underpayment.

7. REDUCING TAX CONCESSIONS FOR SUPERANNUATION BALANCES EXCEEDING $3 MILLION

Superannuation earnings tax concessions will be reduced for individuals with total superannuation balances in excess of $3 million.

From 1 July 2025, earnings on balances exceeding $3 million will incur a higher concessional tax rate of 30 per cent (up from 15 per cent) for earnings corresponding to the proportion of an individual's total superannuation balance that is greater than $3 million. The change does not impose a limit on the size of superannuation account balances in the accumulation phase and it applies to future earnings, i.e. it is not retrospective.

Earnings relating to assets below the $3 million threshold will continue to be taxed at 15 per cent, or zero if held in a retirement pension account.

Interests in defined benefit schemes will be appropriately valued and will have earnings taxed under this measure in a similar way to other interests.

8. REDUCTION IN GDP ADJUSTMENT FACTOR FOR PAY AS YOU GO AND GST INSTALMENTS

The GDP adjustment factor for pay as you go (PAYG) and GST instalments will be set at 6 per cent for the 2023–24 income year, a reduction from 12 per cent under the statutory formula.

The 6 per cent 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 annual aggregate turnover for PAYG instalments) in respect of instalments that relate to the 2023–24 income year and fall due after the enabling legislation receives assent.

9. NON-ARM'S LENGTH INCOME (NALI) AMENDMENTS

To provide greater certainty to taxpayers, the NALI provisions which apply to expenditure incurred by superannuation funds will be amended by:

- limiting income of SMSFs and small APRA regulated funds that are taxable as NALI to twice the level of a general expense
- Additionally, fund income taxable as NALI will exclude contributions
- exempting large APRA regulated funds from the NALI provisions for both general and specific expenses of the fund
- exempting expenditure that occurred prior to the 2018–19 income year

10. LOWERING THE TAX-RELATED ADMINISTRATIVE BURDEN FOR SMALL AND MEDIUM BUSINESSES

The Government will provide $21.8 million over four years from 2023–24 (and $1.4 million per year ongoing) to the ATO to lower the tax related administrative burden for small and medium businesses.

Funding includes:

- $12.8 million over three years from 2023–24 to trial an expansion of the ATO independent review process to businesses with aggregated turnover between $10 million and $50 million subject to an ATO audit. The trial will commence on 1 July 2024 and run for 18 months
- $9.0 million over four years from 2023–24 (and $1.4 million per year ongoing) for five new tax clinics from 1 January 2025 to improve access to tax advice and assistance for 2.3 million businesses. Eligibility for funding will be extended to TAFE institutions to improve access to tax clinic services in regional areas

The measure also delivers reforms to cut paperwork and reduce the time small businesses spend doing taxes:

- from 1 July 2024, small businesses will be permitted to authorise their tax agent to lodge multiple Single Touch Payroll forms on their behalf, reducing paperwork for small businesses
- from 1 July 2024, small businesses will benefit from faster, safer and cheaper income tax refunds by reducing the use of cheques
- from 1 July 2025, small businesses will be permitted up to four years to amend their income tax returns, reducing the burden of making revisions

11. INCREASED RATE FOR INCOME SUPPORT PAYMENTS

Income support payment base rates will be increased by $40 per fortnight.

The increase will apply to JobSeeker Payment, Youth Allowance, Parenting Payment (Partnered), Austudy, ABSTUDY, Disability Support Pension (Youth) and Special Benefit from 20 September 2023.

12. EXPANDED ELIGIBILITY FOR HIGHER JOBSEEKER PAYMENT RATE

The minimum age for which older people qualify for the higher JobSeeker Payment rate will be reduced from 60 to 55 years. This applies to those who have received the payment for nine or more continuous months.

Eligible recipients will receive an increase in their base rate of payment of $92.10 per fortnight.

13. WORKFORCE PARTICIPATION INCENTIVE MEASURES EXTENDED

The workforce participation incentive measures to support pensioners who want to enter the workforce, or work more hours, without impacting their pension payments will be extended for another six months to 31 December 2023.

Originally announced in the Labor Government's 2022–23 Budget, the measure provides age and veteran pensioners a once-off credit of $4,000 to their Work Bonus income bank and temporarily increases the maximum income bank.

Under this measure, pensioners can earn up to $11,800 before their pension is reduced.

14. IMPROVED SUPPORT FOR SINGLE PARENTS

Eligibility for Parenting Payment (Single) will be extended to support single principal carers with a youngest child under 14 years of age.

The existing eligibility provides support to single principal carers with a child aged under eight years of age.

15. INCREASING THE SUPPLY OF SOCIAL AND AFFORDABLE HOUSING AND MAKING IT EASIER TO BUY A HOME

A number of housing measures will be introduced to increase support for social and affordable housing and improve access for home buyers, including:

- increasing the Government-guaranteed liability cap of the National Housing and Finance Investment Corporation (NHFIC) by $2 billion to $7.5 billion to enable NHFIC to increase its support for social and affordable housing through loans from the Affordable Housing Bond Aggregator

- amending NHFIC's Investment Mandate to require NHFIC to take reasonable steps to allocate a minimum of 1,200 homes to be delivered in each state and territory within five years of the Housing Australia Future Fund commencing operation

- expand the eligibility of the Home Guarantee Scheme to:
    - allow any two eligible people to be joint applicants for a guarantee beyond spouses and de facto partners
    - allow non-first home buyers who have not owned a property in Australia for at least 10 years to access the First Home Guarantee and Regional Home Guarantee
    - allow a single legal guardian of children to access the Family Home Guarantee
    - allow Australian permanent residents to access the Scheme

Newcastle

Level 3, 130 Parry Street
Newcastle West, NSW, 2302

Sydney

Suite 1102, Level 11,
20 Berry Street
North Sydney, NSW, 2059

Brisbane

Suite 5, 36 Agnes Street,
Fortitude Valley, QLD, 4006

Telephone 1800 988 522
Fax (02) 4926 1971
Email cnmail@cutcher.com.au

Innovative thinking.
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