

Other Important Updates:

HELP Debt Indexation
increase 1 June 2023

Single Touch Payroll (STP) End
of Financial Year Finalisation

SGC Rate Increase

2023-24 FEDERAL BUDGET

Eamonn Lanagan | Director

Our Federal Budget newsletter provides information regarding Treasurer Dr. Jim Chalmers, delivery of the 2023-24 Federal Budget, in Parliament on Tuesday night. We provide a snapshot of what we believe is important to you, some commentary, and more detail around the relevant measures included that are likely to impact you.

Temporary Full Expensing is out, Instant Asset Write-Off returns

Until 30 June 2023 businesses are able to deduct the full cost of all purchases of eligible depreciating assets. The asset must be on hand and ready for use prior to the end of financial year. To be eligible, the business must have a turnover of less than \$5 billion or \$50 million if the asset is second hand.

From 1 July 2023, Temporary Full Expensing will end, and only low-cost assets (under \$20,000) will be an immediate deduction under the Instant Asset Write-Off, and only for businesses with a turnover of less than \$10 million. For all assets valued above \$20,000 and for businesses with additional turnover over the threshold, all assets must be depreciated over their effective life or added to the Small Business Pool.

For primary producers, the full cost of fencing, water and fodder storage remain fully deductible regardless of cost.



“

Businesses with annual turnover of less than \$50 million will be able to claim an additional 20% deduction, up to \$20,000, on spending that supports electrification and more efficient use of energy, such as solar power or more energy efficient machinery.

”

The danger for many businesses, thanks to global supply issues, is that they may have ordered an item of machinery for their business in early 2022 with the promise of it arriving by early 2023. As is now the norm, the delivery date gets pushed back further and further and if not on hand and ready for use by 30 June 2023, the investment which also created a tax benefit is now potentially a tax issue. The potential tax effect and cost of the same transaction before and after Temporary Full Expensing ends, is illustrated below:

<u>On Hand Ready For Use</u>	<u>Pre 30/6/2023</u>	<u>Post 30/6/2023</u>
Purchase Price of Asset	1,000,000	1,000,000
Depreciation Rate Year 1	100%	15%
Allowable Deduction	1,000,000	150,000
Tax Saving at 30%	300,000	45,000
Trade In Value of Old Asset	500,000	500,000
Tax on Sale of Asset at 30%	150,000	150,000
Tax Saving/(Cost) Year 1	150,000	(105,000)
Net Cash Cost Year 1	350,000	605,000

Small Business Energy Incentive

Businesses with annual turnover of less than \$50 million will be able to claim an additional 20% deduction, up to \$20,000, on spending that supports electrification and more efficient use of energy, such as solar power or more energy efficient machinery. Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024.

Fuel Tax Credits and the Road User Charge

Fuel tax credits are currently levied at a rate of 47.7 cents per litre. The general notion is that the tax raised is used for the maintenance of the country's road system. Businesses which do not use the fuel on road are able to claim back the full fuel tax credit, for example tractors working in a paddock or fuel used in generators. Heavy vehicle users (vehicles over 4.5t GVM) travelling on public roads are able to claim back the fuel tax credit less a Road User Charge, which is currently 27.2 cents per litre.

From 1 July 2025, the Road User Charge will be increased to 32.4 cents per litre. This will effectively increase the fuel cost for heavy vehicle users by 7.2 cents per litre.



Energy Price Relief Plan

If you hold an eligible concession card or receive an eligible government payment (income support or Family Tax Benefit) and are named on the electricity account, you will be eligible for \$350 bill relief in WA (\$500 in the eastern states).

Small businesses who use less than 50MWh in WA, and have a separate meter for their business are eligible for \$650 bill relief.

These reliefs should be automatically applied to electricity bills from 1 July 2023.

Payday Super

From 1 July 2026 employers will be required to pay their employees' super guarantee at the same time as their salary and wages. The employee superannuation guarantee rate is legislated to be 12% from 1 July 2025.

Deductibility of Employee Superannuation

Currently super is only deductible if paid to the employees' super fund by the due date, usually 28 days after the end of the quarter. If the superannuation is paid late, it is not deductible and a Super Guarantee Charge Statement should be completed and interest paid on the late payment. Due to the time and cost in preparing this statement, compared to the interest payable, often these statements are only prepared when there is a significantly late payment of employee super.

The Government has announced additional funding for data matching to ensure super is paid on time and includes a proposal for ATO employees to receive bonuses for identifying late super payments.

Super account balances above \$3 million

The Budget confirmed the Government's intention to apply an additional 15% tax on total superannuation balances above \$3 million from 1 July 2025. Full details of how the taxation of the excess balances will work and interact with current taxes are yet to be released.

Small Business Lodgment Penalty Amnesty

Small businesses with turnover of less than \$10 million will be provided with an amnesty to encourage them to re-engage with the tax system. 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 between 1 December 2019 to 29 February 2022.

Pension Drawdowns

The Budget did not announce a further extension to 2023-24 of the temporary 50% reduction in the minimum annual payment amounts for superannuation pensions and annuities.

Pension Drawdowns for 2023/24 will be as follows:

<u>Age</u>	<u>Minimum Percentage to be Drawn</u>
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or more	14%



The Stage 3 Personal Tax Cuts revise the 32.5% marginal tax rate to 30% for earnings between \$45,000-\$200,000.



Stage 3 Personal Tax Cuts

There was no announcement of changes to the Stage 3 Personal Tax Cuts which are legislated to commence on 1 July 2024. Stages 1 and 2 are already in place and have reduced the tax rates for low and middle income earners. The Stage 3 Personal Tax Cuts revise the 32.5% marginal tax rate to 30% for earnings between \$45,000-\$200,000. The 37% marginal rate will be completely removed. Incomes over \$200,000 will continue to be taxed at a marginal rate of 45%.

The tax rate of middle income earners will thereafter be more closely aligned to the company tax rate of 30%.

The following table illustrates the legislated tax rates and income thresholds from 1 July 2024, for Australian resident tax payers:

<u>Taxable Income</u>	<u>Tax Payable</u>
Up To \$18,200	Nil
\$18,201-\$45,000	19% of excess over \$18,200
\$45,001-\$200,000	\$5,092 plus 30% of excess over \$45,000
\$200,000 Or More	\$51,592 plus 45% of excess over \$200,000

LMITO not extended beyond 2021-22

The 2023-24 Budget did not announce any extension of the low and middle income tax offset beyond the 2021-22 income year. The LMITO has now ceased and been fully replaced by the low income tax offset.

As a result, low-to-middle income earners may see their tax refunds from July 2023 reduced by between \$675 and \$1,500 (for incomes up to \$90,000 but phasing out up to \$126,000), all other things being equal.

Company loans to shareholders and associates (Division 7A)

Division 7A governs the use of company funds and assets by shareholders and their associates. Such use regularly occurs where businesses are trading through a company structure and the owners use the funds or assets for personal purposes or where a trust distribution is made to access the lower company tax rate.

Following the report completed by the Board of Taxation in late 2014, the Federal Government announced in both the 2016/17 and 2018/19 budget that reform to Division 7A would be completed and guidance on their intents released. The reforms to Division 7A were initially intended to be implemented from 1 July 2019 but have been continually deferred.

This has resulted in taxpayers having uncertainty of how any amount owing would be dealt with in future years or how to correctly deal with sub-trust arrangements.

IMPORTANT UPDATES

HELP Debt Indexation increase 1 June 2023

The HELP debt indexation happens on 1 June every year. The indexation rate for 2022 was 3.9% and in 2023 this will be increased to 7.9%.

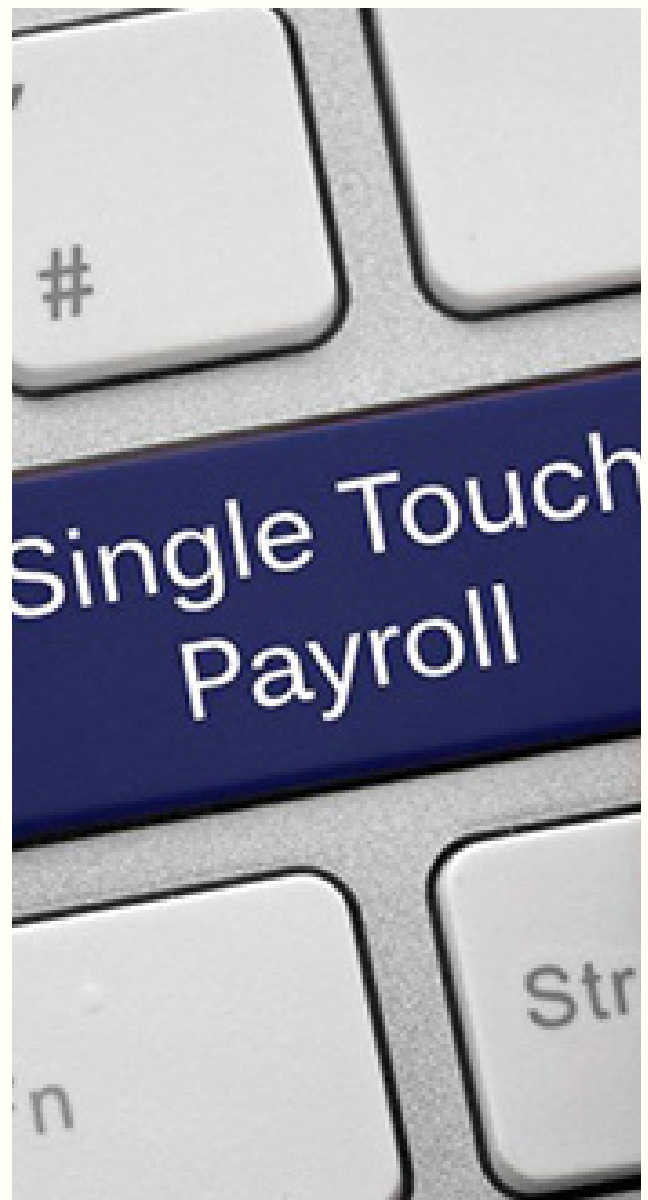
If you are planning on paying out your HELP debt in full when lodging your 2023 tax return, please consider paying it out by the end of this month before indexation occurs. On a \$10,000 loan, that's potentially a saving up to \$710.

More information can be found at [Study and training loan indexation rates | Australian Taxation Office \(ato.gov.au\)](#) or by contacting your Byfields accountant.



Single Touch Payroll (STP) End of Financial Year Finalisation

All employers are required to finalise their employees STP by 14 July 2023 for the 2022/23 financial year. The finalisation is completed in your payroll software and indicates to the ATO that all employee information has been reported for the year and is correct. The employee will then be notified that their income statement is tax ready, you no longer need to provide a payment summary/group certificate. If you require any assistance with this finalisation, please contact your Byfields Accountant/Bookkeeper.



SGC Rate Increase

From 1 July 2023 the super guarantee rate will increase. Increasing the super guarantee rate will mean employees receive 11% contributed to their super fund on ordinary wages earned. Employers payroll software should automatically update for this change.



To discuss any article or update in our newsletter, we encourage you to touch base with your Byfields Accountant.

www.byfields.com.au

WHAT IS IMPORTANT | 2023 FEDERAL BUDGET

Instant Asset Write-Off Returns



Temporary Full Expensing is set to end on 1st July 2023. After this date, only assets under \$20,000 can be immediately deducted through the Instant Asset Write-Off scheme, which is available for companies with less than \$10 million in turnover.

Fuel Tax Credits & Road User Charge



Businesses claiming fuel for use in heavy vehicles will be paying an additional 7.2c/L for fuel from 1 July 2025, thanks to an increase in the road user charge.

Lodgement Penalty Amnesty



Small businesses under \$10 million turnover will receive an amnesty from failure-to-lodge penalties. The aim is re-engagement with the tax system and waives penalties for outstanding tax statements lodged by December 31 2023.

Energy Price Relief Plan



Eligible concession cardholders and government payments recipients will receive \$350 in electricity bill relief. Small business will receive \$650 in electricity bill relief.

Energy Incentive



Small businesses can claim a 120% deduction on expenses for electrification and energy efficiency up to \$20,000.

Deductibility Of Employee Superannuation



The Australian Government will allocate more funding to data matching, in order to ensure timely payment of superannuation to employees' funds. Super is only deductible if paid by the due date, typically 28 days after the quarter ends.

Payday Super



Starting from 1 July 2026, employers must pay their employees' super guarantee along with their salary and wages, with the rate set at 12% from 1 July 2025.