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2024-2025 Federal Budget Tax and Superannuation Report

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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

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.

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.

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 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 HELP (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 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.

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.

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.

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.

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.

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.

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.

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; 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.

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.

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