Federal Budget 2024-2025 Overview

The key takeaways for your personal finances, business and private wealth

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Overview

In the 2024-25 Federal Budget the Government had the difficult task of introducing measures that would address Australian's cost of living concerns without over-stimulating the economy.

Driven by the media coverage and the electorate, the Government has over the last few months been focussing on Australia's cost of living crisis. The cost of living seen through various indexes such as the consumer price index and underlying inflation data has been increasing. Significant price increases in food, transport and housing has impacted Australian families, requiring this issue to be addressed by the current Government.

This has primarily been achieved through the amended stage 3 tax cuts that provide a tax cut to a broader range of incomes particularly in the lower to middle income brackets.

Any large-scale or significant incentives could risk over-stimulating the economy resulting in further increases to inflation. Pinned between these two issues this Federal Budget is a low-key affair with no new significant measures being announced.

It is also interesting to note what the Federal Budget does not contain – there are no tax incentives for business to encourage the transition to a green economy.

Over the last few years Government has introduced targeted measures to tighten super rules – no new super rules have been announced in this Federal Budget. Have we come to the end of this series of initiatives, or is Government waiting to see whether their new measures have had the desired impact on wealthy Australians effectively utilising their super savings?

Key Takeaways

The 5 key points of the Federal Budget 2024-25

Changes to individual tax rates

These changes give a break to low and middle-income earners by lowering the tax on their income.

Small business instant asset write-off

Extension of the $20,000 instant asset write-off scheme for bausinesses with a turnover of less than $10 million.

Further support for the ATO tax compliance program

Continuation of several successful ATO tax compliance programs.

Changes to the CGT regime for non-residents

Non-residents that have CGT gains on shares exceeding $20 million have to notify the ATO.

Increased scrutiny on royalties paid to non-residents

Significant Global Entities that have mischaracterised or undervalued royalty payments may be subject to penalties.

Personal Finances

→ Stage 3 Tax Cuts confirmed

Changes to personal income tax rates

Reduced Marginal Tax Rates

The Government announced tax cuts to personal marginal tax rates.

This is a continuation of Stage 3 of the Government's Personal Income Tax Plan which was designed to simplify and flatten the various income tax thresholds and to lower the marginal tax rate for most Australians to 30% or less.

Tax rates and thresholds in 2021, 2024 compared with 2024-2025

Rate	2020-21	Rate	2023-24	Rate	2024-25 Announced
0%	Up to $18,200	**0%**	Up to $18,200	**0%**	Up to $18,200
19%	$18,201-$37,000	**19%**	$18,201-$45,000	**16%**	$18,201-$45,000
32.5%	$37,001-$90,000	**32.5%**	$45,001-$120,000	**30%**	$45,001-$135,000
37%	$90,001-$180,000	**37%**	$120,001-$180,000	**37%**	$135,001-$190,000
45%	Above $180,000	**45%**	Above $180,000	**45%**	Above $190,000
LITO	Up to $445	**LITO**	Up to $700	**LITO**	Up to $700

Changes to Medicare Levy threshold

Increase in Medicare levy threshold

The Medicare levy low-income thresholds will be increased.

Medicare Levy low-income thresholds		
Rate	2023-24	2024-25 Announced
Singles	$24,276	$26,000
Family	$40,939	$43,846
Single seniors and pensioners	$38,365	$41,089
Family seniors and pensioners	$53,406	$57,198
Increase for each dependent child	$3,760	$4,027

Business Finances

→ Extension of instant asset write-off for small businesses and changes for non-residents

Abolishing Tariffs to streamline business costs

- Companies spend time and money proving their imports are eligible for existing tariff preferences and concessions, a compliance cost often transferred to consumers.
- Commencing 1 July 2024, 457 "nuisance tariffs" will be removed.
- This change will eliminate tariffs on a variety of imported goods such as: toothbrushes, hand tools, fridges, dishwashers, clothing, menstrual products and sanitary products.
- The Government is expecting that the removal of these tariffs will enhance trade efficiency, lower compliance expenses, and streamline the annual importation of $8.5 billion worth of goods.

Continued focus on multinationals

- The Government will not proceed with the 2022-23 Budget measure to deny deductions for payments relating to intangibles in low or no tax jurisdictions.
- This measure would have denied deductions for certain royalty and other payments made by a Significant Global Entity to an associate.
- The measure was daesigned to negate the unfair advantage large multinationals have over other Australian businesses.
- These integrity issues will now be addressed through the Global Minimum Tax and Domestic Minimum Tax regime announced in the 2023-2024 Budget.
- Under this regime, the Government has proposed a 15% global minimum tax and 15% domestic minimum tax for large multinational enterprises.
- This regime will apply to multinationals with annual global revenue of at least EUR750 million.
- This regime is not yet law and is currently in consultation phase. It aligns with similar measures being introduced across other OECD countries.

New penalty for undervalued royalties

- From 1 July 2026 the government will introduce new provisions to apply penalties to groups with an annual turnover of more than $1 billion.
- The penalties are to apply where taxpayers are held to have mischaracterised or unvalued royalty payments that would otherwise be subject to withholding tax.
- This announcement comes after the PepsiCo Inc decision where the Commissioner successfully argued that royalty withholding tax should apply to a licensing agreement where no royalty was payable.
- The Commissioner also successfully argued, in the alternative, assessments under the Diverted Profits Tax Regime of Part IVA should apply.
- This new measure highlights the ATOs continued focus on cross border arrangements involving intangibles.
- Large multinationals are encouraged to review their license agreements and arrangements involving use of intellectual property.

Strengthening tax compliance

In this Budget, the Government announced further funding for ATO compliance programs that have, to date, proven very effective at increasing the Government revenue take:

- The ATO has been provided an additional $187 million to **target tax and superannuation fraud**. Funding for this program includes:
  - $78.7 million for the ATO to upgrade its technology to identify and block suspicious activities,
  - $83.5 million for a new compliance taskforce to claw back lost revenue, and
  - $24.8 million to improve the ATO's management and governance of its counter-fraud activities.
- The **Personal Income Tax Compliance** program will be extended for a further year to allow the ATO to proactively combat non-compliance activities.
- The **Shadow Economy Program** will be extended for a further 2 years. It is expected to increase tax receipts by $1.9 billion (including an increase in GST payments of $429.6 million).
- The **ATO Tax Avoidance Taskforce** will be extended for 2 years from 1 July 2026. It is expected to increase tax receipts by $2.4 billion.

Instant asset write-off extended

- Eligible businesses can continue to instantly deduct the cost of eligible assets until **30 June 2025**.
- This improves the cashflow of businesses and reduces compliance costs as depreciation does not have to be tracked over time.

- **Key requirements**:

Annual Turnover	Asset use / installation	Cost
Less than $10 million	Asset must be first used or installed ready for use between 01 July 2023 and before 30 June 2025	Assets costing less than $20,000

- The cost threshold (of less than $20,000) applies on a per asset basis. This means multiple eligible assets can be written-off.

- If the cost of any asset is $20,000 or more, the previous tax treatment applies. (I.e., the asset will be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% in subsequent income years.)

Strengthening the foreign resident CGT regime

Foreign residents are generally exempt from CGT unless the asset is taxable Australian Property (**TAP**). TAP includes direct and indirect interests in land, assets deemed TAP when residency ceases, and assets of an Australian permanent establishment. The Government will strengthen the foreign resident CGT regime to provide greater certainty about the operation of the rules. The amendments will apply to CGT events commencing on or after 1 July 2025 to:

- clarify and broaden the types of Australian assets owned by foreign residents that will be subject to CGT.
- amend the point-in-time principal asset test to a 365-day testing period.
- 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.

These measures are being enacted with the objective of ensuring that Australia can tax foreign residents on direct and indirect sales of assets with a close economic connection to Australian land. The new ATO notification process will improve oversight and compliance with the foreign resident CGT withholding rules, where a vendor self-assesses their sale is not taxable real property.