DWYER&CO
Certified Practising Accountants

2023 FEDERAL BUDGET SUMMARY

From David Dwyer - *In short, nothing to get excited about, from a tax perspective that is. I have summarized from a business perspective including the current state of play.*

Plant and Equipment

The 100% tax deduction regardless of cost is still available until 30/6/2023, after that it will revert to a limit of $20,000 per item, effective from 1/7/2023 to 30/6/2024. Hopefully this will be extended in next years budget.

Technically this $20,000 threshold is for small business, ie those with turnover up to $10 million. It is on a per asset basis. So, it can be claimed on a number of items.
Items over this amount can still be depreciated over several years, normally 8 – 15 depending on ATO assessed longevity. Small Business can put these assets into a pool and claim 15% in the first year and 30% per year in subsequent years.

Tax Rates

Companies – no change in this budget

Under $50 mill turnover	25% flat rate
Above $50 mill turnover or predominantly investment income	30% flat rate

Personal Tax Rate – no change in this budget

2023/24 same as 2022/23 which is : -

Taxable Income	Rate
0 - 18,200	NIL
18,200 - 45,000	Nil + 19% over $18,200
45,000 - 120,000	5,092 + 32.5% over 45,000
120,000 – 180,000	29,467 + 37% over 120,000
180,000 +	51,667 + 45% over 180,000

From 1/7/2024 the Stage 3 Tax Rates take effect

Taxable Income	Rate
0 - 18,200	Nil
18,200 - 45,000	Nil + 19% over 18,200
45,000 – 200,000	5092 + 30% over 45000
200,000 +	51,592 + 45% over 200,000

From 1/7/2024 when these measures take effect, it is projected that 94% of Australian taxpayers will have a marginal rate of tax no higher than 30%. In other words, 94% of taxpayers incomes are less than $200,000 per year, which probably comes as no surprise.

One is hopeful that next year's budget, due this time next year, before these rates tax effect, will not change these thresholds, noting they have already been legislated.

Superannuation Funds

The only change is for those with member balances above $3 million, in which case from 1/7/2025 the tax rate is proposed to increase from 15% to 30%. Whilst there are media releases explaining how this will work, we really need the legislation to understand it properly. At the current time it is proposed that the fund will be re-valued and tax paid on the adjusted increase in value after adjusting for contributions and withdrawals, for those in retirement. This is contrary to accepted principles of taxation whereby tax is paid on realised gains.

Importantly it is on a per member basis, for example a self-managed super fund with $5 million in assets, with 2 members of a couple, in effect means the members balances would be $2.5 million each and therefore unaffected by this change.

Build to Rent Properties – Tax Deductions

Makes for good headlines, however the reality is that it has very little practical application for say 99% of Australian Property Investors.

Why do I say that you ask?

The broad thrust is that the building allowance rate, ie depreciation on the building rate will increase from 2.5% to 4%, that is an increase of 1.5% which by itself is hardly convincing when making an investment decision. Then consider the following qualifying conditions apply: -

- The development must be for 50+ dwellings
- Singular ownership for 10 years before any sale
- Offered to the general public for lease for a minimum of 3 year terms

One concludes that for everyday property investors from a single investment property to considerable developments by private developers (say 20 - 40 units) will simply not qualify for the 4% depreciation rate. They will qualify for the 2.5%, will an extra 1.5% depreciation make a proposal viable? I think not. It would need to stack up without any tax breaks, let alone a modest 1.5% increase, anyway that's just me.

Small Business Energy Incentive: 20% bonus deduction

This is aimed at more efficient use of electrical energy. Exclusions are electric vehicles, renewable electricity generation(rule out roof top solar), capital expenditure, fossil fuel generation and renewable generation not connected to the grid.

OK……….….so the target is electrical equipment that is energy efficient, appliances such as energy efficient, hot water systems, fridges, cool stores, air conditioning, batteries, regulators and on so on.

If you acquire these, a 20% additional deduction applies up to $20,000. So, at the maximum, spend $100,000, bonus deduction rate us 20%, which is $20,000, at the company rate of 25% you save $5000 in tax.

If you're doing it anyway, make note, let us know so we can claim the deduction for you.

For me the investment decision needs to stack up without the benefit of the tax saving.

Lodgement Amnesty for Late Tax Returns and BAS

For small business's a late lodgement amnesty from late lodgement penalties will apply.

This is good news for those who through difficulties perhaps from the Covid disruption find themselves behind.
The amnesty applies to tax obligations for the period 1/12/2019 to 29/2/2022 and requires lodgement by 31/12 2023.

I suggest that for tax obligations more recent (ie from 29/2/2022 to the current date) provided these are lodged within the same timeframe and extenuating circumstances existed, the ATO would look favourably on remission of late lodgement penalties.

My recommendation is that if you are in this situation you get in touch with us and we will get you up to date.

Employer Superannuation - EMPLOYER ALERT

From 1/7/2026 employers will be required to pay employee superannuation at the same time that salary and wages are paid.

This has come about due to considerable amount of unpaid superannuation by a small section of employers, often those in financial trouble.

Whilst there is little detail in the budget papers, it is quite clear what is required, pay employee super at the same time you pay their net wages.

From a practical perspective this is not sensible and administratively will be an extra burden on small business.

A more sensible approach would be to require employers to pay on a monthly basis, say by 21st of the following month in line with those on monthly PAYG Withholding requirements. We encourage our small business clients to adopt this practise voluntarily as it eases cash flow, being regular smaller amounts, rather than three months in one hit.

AUSTRALIAS FINANCES

Whilst we have our first surplus in some 15 years, a product of basically a good year in tax receipts, any debt reduction is very modest. Further the forecast is budget deficits into the foreseeable future.

I recall back in the mid 1990's and Esperance farmer who had been around, saying to me "David, as a farmer, you have to pay off debt in a good year, because you can't in a bad year!"
It seems to me that too little weight is placed upon simply ensuring that we live within our means.

Instead, we leave an unwanted legacy to future generations and our lack of fiscal discipline exposes us to the risk of the consequences of a downturn in the world economy that we have no control over.

In simple terms if the Esperance farmer adopted this approach, the farm would be put at risk.

If you would like to discuss any of the topics in this Federal Budget Summary, please call David Dwyer on (08) 9217 2400 or email David on david.dwyer@dwyerandco.com.au

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