



Federal Budget 2023–24

Economic Update

- **Forecast Budget Positions**
 - 2022-23 \$4.2bn surplus (up from -\$36.9bn deficit previously forecasted)
 - 2023-24 -\$13.9bn deficit (up from -\$44.0bn deficit previously forecasted)
 - 2024-25 -\$35.1bn deficit (up from -\$51.3bn deficit previously forecasted)
 - 2025-26 -\$36.6bn deficit (up from -\$49.6bn deficit previously forecasted)
 - 2026-27 -\$28.5bn deficit
- **GDP**
 - 2022-23 3.25% (unchanged)
 - 2023-24 1.50% (unchanged)
 - 2024-25 2.25% (unchanged)
 - 2025-26 2.75% (up from 2.50% previously forecasted)
 - 2026-27 2.75%
- **Unemployment Rate**
 - 2022-23 3.50% (down from 3.75% previously forecasted)
 - 2023-24 4.25% (down from 4.50% previously forecasted)
 - 2024-25 4.50% (unchanged)
 - 2025-26 4.50% (up from 4.25% previously forecasted)
 - 2026-27 4.25%
- **CPI**
 - 2022-23 6.00% (up from 5.75% previously forecasted)
 - 2023-24 3.25% (down from 3.50% previously forecasted)
 - 2024-25 2.75% (up from 2.50% previously forecasted)
 - 2025-26 2.50% (unchanged)
 - 2026-27 2.50%
- **Gross Debt**
 - 2022-23 \$887bn (down from \$927bn previously forecasted)
 - 2023-24 \$923bn (down from \$1.004tn previously forecasted)
 - 2024-25 \$958bn (down from \$1.091tn previously forecasted)
 - 2025-26 \$1.015tn (down from \$1.159tn previously forecasted)
 - 2026-27 \$1.067tn
- **Net Debt**
 - 2022-23 \$548.6bn (down from \$572.2bn previously forecasted)
 - 2023-24 \$574.9bn (down from \$634.1bn previously forecasted)
 - 2024-25 \$620.6bn (down from \$702.8bn previously forecasted)
 - 2025-26 \$665.2bn (down from \$766.8bn previously forecasted)
 - 2026-27 \$702.9bn

ATO-specific Budget Measures

Extending the Personal Income Taxation Compliance Program

The Government will provide \$89.6 million to the ATO and \$1.2 million to Treasury to extend the Personal Income Tax Compliance Program for two years from 1 July 2025 and expand its scope from 1 July 2023.

This extension will enable the ATO to continue to deliver a combination of proactive, preventative and corrective activities in key areas of non-compliance, and to expand the scope of the program to address emerging areas of risk, such as deductions relating to short-term rental properties to ensure they are genuinely available to rent.

This measure is estimated to increase receipts by \$474.9 million and increase payments by \$90.8 million over the 5 years from 2022–23.

This is the second extension to this program.

GST Compliance Program – four year extension

The Government will provide \$588.8 million to the ATO over 4 years from 1 July 2023 to continue a range of activities that promote GST compliance. This measure is estimated to increase GST receipts by \$3.8 billion, and other tax receipts by \$3.8 billion, over the 5 years from 2022–23.

These activities will ensure businesses meet their tax obligations, including accurately accounting for and remitting GST, and correctly claiming GST refunds. Funding through this extension will also help the ATO develop more sophisticated analytical tools to combat emerging risks to the GST system.

This measure is estimated to increase receipts by \$7.6 billion and increase payments by \$3.8 billion over the 5 years from 2022–23.

Fringe Benefits Tax Changes

Powering Australia – amendment to the Electric Car Discount

The Government will sunset the eligibility of plug-in hybrid electric cars from the fringe benefits tax exemption for eligible electric cars. This change will apply from 1 April 2025. Arrangements involving plug-in hybrid electric cars entered into between 1 July 2022 and 31 March 2025 remain eligible for the Electric Car Discount.

This measure is estimated to increase receipts by \$30.0 million and increase GST payments to the states and territories by \$5.0 million over the 5 years from 2022–23.

Individual Income Tax Rate Changes

Personal Income Tax – exempting lump sum payments in arrears from the Medicare levy

The Government will exempt eligible lump sum payments in arrears from the Medicare levy from 1 July 2024.

This measure will ensure low-income taxpayers do not pay higher amounts of the Medicare levy as a result of receiving an eligible lump sum payment, for example as compensation for underpaid wages.

Eligibility requirements will ensure that relief is targeted to taxpayers who are genuinely low-income and should be eligible for a reduced Medicare levy. To qualify, taxpayers must be eligible for a reduction in the Medicare levy in the 2 most recent years to which the lump sum accrues. Taxpayers must also satisfy the existing eligibility requirements of the existing lump sum payment in arrears tax offset, including that a lump sum accounts for at least 10 per cent of the taxpayer's income in the year of receipt.

Small Business Budget Measures

Small Business Support – \$20,000 instant asset write-off

The Government will improve cash flow and reduce compliance costs for small businesses by temporarily increasing the instant asset write-off threshold to \$20,000, from 1 July 2023 until 30 June 2024.

Small businesses, *with aggregated annual turnover of less than \$10 million*, will be able to immediately deduct the full cost of eligible assets costing less than \$20,000 that are first used or installed ready for use 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 assets.

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 per cent in the first income year and 30 per cent 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 continue to be suspended until 30 June 2024.

Small Business Support – helping small business manage their tax instalments and improving cashflow

The Government will amend the tax law to set the GDP adjustment factor for pay as you go (PAYG) and GST instalments 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 Royal Assent.

Small Business Support – Small Business Energy Incentive

The Government will support small and medium businesses to save on energy bills through incentivising the electrification of assets and improvements to energy efficiency.

Small and medium businesses, with aggregated annual turnover of less than \$50 million, will be able to deduct an additional 20 per cent of the cost of eligible depreciating assets that support electrification and more efficient use of energy. Up to \$100,000 of total expenditure will be eligible for the Small Business Energy Incentive, with the maximum bonus deduction being \$20,000.

A range of depreciating assets, as well as upgrades to existing assets, will be eligible for the Small Business Energy Incentive. These will include assets that upgrade to more efficient electrical goods such as energy-efficient fridges, assets that support electrification such as heat pumps and electric heating or cooling systems, and demand management assets such as batteries or thermal energy storage. Full details of eligibility criteria will be finalised in consultation with stakeholders.

Eligible assets will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024. Eligible upgrades will also need to be made in this period.

Certain exclusions will apply such as electric vehicles, renewable electricity generation assets, capital works, and assets that are not connected to the electricity grid and use fossil fuels.

Driving Collaboration with Small Business to Reduce the Time Spent Complying with Tax Obligations

The Government will provide \$21.8 million over 4 years from 2023–24 (and \$1.4 million per year ongoing) to the Australian Taxation Office (ATO) to lower the tax-related administrative burden for small businesses. Funding includes:

- \$12.8 million over 3 years from 2023–24 to trial an expansion of the ATO independent review process to small 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 4 years from 2023–24 (and \$1.4 million per year ongoing) for 5 new tax clinics from 1 January 2025 to improve access to tax advice and assistance for 2.3 million small 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 4 years to amend their income tax returns, reducing the burden of making revisions.

Superannuation Budget Measures

“Better Targeted” Superannuation Concessions (*emphasis added*)

The Government will reduce the tax concessions available to individuals with a total superannuation balance exceeding \$3 million, from 1 July 2025.

Individuals with a total superannuation balance of less than \$3 million will not be affected.

This reform is intended to ensure superannuation concessions are better targeted and sustainable. It will bring the headline tax rate to 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. This rate remains lower than the top marginal tax rate of 45 per cent. Earnings relating to assets below the \$3 million threshold will continue to be taxed at 15 per cent or zero per cent 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. This will ensure commensurate treatment.

This measure is estimated to increase receipts by \$950.0 million and increase payments by \$47.6 million over the 5 years from 2022–23.

Securing Australians’ Superannuation Package – increasing the payment frequency of the Superannuation Guarantee (SG) and investing in SG compliance

From 1 July 2026, employers will be required to pay their employees’ SG entitlements on the same day that they pay salary and wages.

Currently, employers are only required to pay their employees’ SG on a quarterly basis. By increasing the payment frequency of superannuation to align with the payment of salary and wages, this measure will both ensure employees have greater visibility over whether their entitlements have been paid and better enable the ATO to recover unpaid superannuation. Increased frequency of payment will also support better retirement outcomes. A 1 July 2026 commencement date will allow the ATO, payroll service providers and superannuation funds time to make necessary system changes and for employers to adjust their cash flow practices.

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

Other Business Measures

Targeted Support for Apprenticeships

The Government will provide additional funding of \$54.3 million over 5 years from 2022–23 to introduce a new non-financial support model for Australian Apprenticeships from 1 July 2024. The model will redesign and refocus key support services currently delivered by the Australian Apprenticeship Support Network to increase apprenticeship completion rates and the diversity of the apprentice workforce.

Enhanced Support for Small and Medium-sized Businesses and Startups

The Government will provide \$431.9 million over 4 years from 2023–24 (and \$79.2 million per year ongoing) to improve support for small to medium enterprises (SMEs) and startups. Funding includes:

- \$392.4 million over 4 years from 2023–24 (and \$68.2 million per year ongoing) to establish the Industry Growth Program to support Australian SMEs and startups to commercialise their ideas and grow their operations. Support will be targeted towards businesses operating in the priority areas of the National Reconstruction Fund
- \$39.6 million over 4 years from 2023–24 (and \$11.0 million per year ongoing) to continue the Single Business Service, supporting SMEs engagement with all levels of government.

Other Tax related Budget Measures

Amending measures of the former Government

The Government will amend measures announced by the former Government to provide greater certainty to taxpayers:

- Amend the start date of the 2016–17 MYEFO measure: Tax integrity – franked distributions funded by capital raisings from 19 December 2016 to 15 September 2022.
- Amend the start date for some components of the 2022–23 March Budget measure: Streamlining excise administration for fuel and alcohol package from 1 July 2023 to 1 July 2024.
- Amend the non-arm's length income (NALI) provisions which apply to expenditure incurred by superannuation funds by:
 - limiting income of self-managed superannuation funds and small Australian Prudential Regulation Authority (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.

The Government will also not proceed with 3 separate patent box measures announced by the former Government in the 2021–22 and 2022–23 March Budgets.

These changes will increase receipts by \$722.6 million and increase payments by \$159.3 million over the 5 years from 2022–23.

Amending the tax law to reduce compliance costs for general insurers

The Government will introduce legislation to amend the tax law to minimise the regulatory burden facing the general insurance industry. The introduction of the new accounting standard, AASB17 Insurance Contracts, by the Australian Accounting Standards Board, has meant that the tax law is no longer aligned with accounting standards. This change to the tax law will allow general insurers to continue to use audited financial reporting information, which is calculated according to the new standard, as the basis for their tax returns. The measure will have effect for income years commencing on or after 1 January 2023.

Housing (Build-To-Rent Developments) – accelerating tax deductions and reducing managed investment trust withholding tax rate

For eligible new build-to-rent projects where construction commences after 7:30 PM (AEST) on 9 May 2023 (Budget night), the Government will:

- increase the rate for the capital works tax deduction (depreciation) to 4 per cent per year
- reduce the final withholding tax rate on eligible fund payments from managed investment trust (MIT) investments from 30 per cent to 15 per cent.

This 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 must offer a lease term of at least 3 years for each dwelling.

Tax Integrity – expanding the general anti-avoidance rule in the income tax law

The Government will improve the integrity of the tax system by expanding the scope of the general anti-avoidance rule for income tax (Part IVA of the Income Tax Assessment Act 1936) so that it can apply to:

- schemes that reduce tax paid in Australia by accessing a lower withholding tax rate on income paid to foreign residents
- schemes that achieve an Australian income tax benefit, even where the dominant purpose was to reduce foreign income tax.

This measure will apply to income years commencing on or after 1 July 2024, regardless of whether the scheme was entered into before that date.

Tax Integrity – improving engagement with taxpayers to ensure timely payment of tax and superannuation liabilities

The Government will provide funding over 4 years from 1 July 2023 to enable the ATO to engage more effectively with businesses to address the growth of tax and superannuation liabilities.

The additional funding will facilitate ATO engagement with taxpayers who have high-value debts over \$100,000 and aged debts older than two years where those taxpayers are either public and multinational groups with an aggregated turnover of greater than \$10 million, or privately owned groups or individuals controlling over \$5 million of net wealth.

A lodgment penalty amnesty program is being provided for small businesses with aggregate turnover of less than \$10 million 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 during the period from 1 December 2019 to 29 February 2022.

This measure is estimated to increase receipts by \$718.0 million and increase payments by \$275.4 million over the 5 years from 2022–23. In addition to the \$82.1 million in funding for the ATO, the increase in payments also includes \$12.3 million in unpaid superannuation to be disbursed to employees, and \$181.0 million in GST payments to the states and territories.

Heavy Vehicle Road User Charge – increase

The Government will increase the Heavy Vehicle Road User Charge rate from 27.2 cents per litre of diesel by 6 per cent per year over 3 years from 2023–24 to 32.4 cents per litre in 2025–26. This will decrease expenditure on the fuel tax credit by \$1.1 billion over 4 years from 2023–24.

Sustain myGov

The Government will provide \$134.5 million in 2023–24 to sustain the myGov platform for an additional year, to continue to securely support over 25 million accounts and connect Australians to 15 government services.

Other Notable Budget Measures

Household Energy Upgrades Fund – establishment

The Government will provide \$1.3 billion in funding to establish the Household Energy Upgrades Fund to support home upgrades that improve energy performance and save energy. Funding includes:

- \$1.0 billion in funding to the Clean Energy Finance Corporation to provide low-cost finance and mortgages in partnership with private financial institutions for home upgrades that save energy
- \$300.0 million over 4 years from 2023–24 held in the Contingency Reserve to support upgrades to social housing, in collaboration with states and territories, that save energy
- \$36.7 million over 4 years from 2023–24 (and \$2.1 million per year ongoing) to develop further initiatives to improve energy performance, including expanding and modernising the Greenhouse and Energy Minimum Standards program and the Nationwide House Energy Rating scheme.

Hydrogen Headstart

The Government will provide \$2.0 billion to accelerate development of Australia's hydrogen industry, catalyse clean energy industries, and help Australia connect to new global hydrogen supply chains. Funding includes:

- \$2.0 billion for the establishment of a new Hydrogen Headstart program, which will provide revenue support for investment in renewable hydrogen production through competitive production contracts, including funding for the Australian Renewable Energy Agency and the Department of Climate Change, Energy, the Environment and Water to support the development and operation of the program
- \$5.6 million in 2023-24 to analyse the implications for Australia of intensifying global competition for clean energy industry, and to identify actions before the end of 2023 to further catalyse clean energy industries, ensure Australian manufacturing competitiveness and attract capital investment
- \$2.0 million over two years from 2024–25 to establish a fund to support First Nations communities to engage with hydrogen project proponents and planning processes.

Energy Price Relief Plan

The Government will provide \$1.5 billion over 5 years from 2022–23 (and \$2.7 million per year ongoing) to reduce the impact of rising energy prices on Australian households and businesses by providing targeted energy bill relief and progressing gas market reforms. Funding includes:

- \$1.5 billion over two years from 2023–24 to establish the Energy Bill Relief Fund to support targeted energy bill relief to eligible households and small business customers, which includes pensioners, Commonwealth Seniors Health Card holders, Family Tax Benefit A and B recipients and small business customers of electricity retailers
- \$14.7 million over 5 years from 2022–23 (and \$2.7 million per year ongoing) to the Australian Competition and Consumer Commission to administer and enforce compliance with a temporary cap of \$12 per gigajoule on the price of gas and to develop and implement a mandatory gas code of conduct
- \$9.5 million over 3 years from 2022–23 for the Australian Energy Regulator to monitor coal and gas markets across the National Electricity Market.

The Government will also provide funding to support the New South Wales and Queensland governments to implement a cap of \$125 per tonne on the price of coal used for electricity generation.

Improving the Administration of Student Loans

The Government will provide \$87.8 million over 5 years from 2022–23 (including \$53.1 million in capital funding, and \$2.0 million per year ongoing) to improve the administration of student loans and enhance the security and privacy of data holdings.

Women's Safety

The Government will provide a further \$326.7 million over 4 years from 2023–24 (and \$19.4 million per year ongoing) to deliver women's safety initiatives under the National Plan to End Violence Against Women and Children 2022–32 (the National Plan).

Additional Assistance to Ukraine

The Government will provide \$189.6 million over two years from 2022–23 to deliver additional assistance to Ukraine following the invasion by Russia. This includes the provision of Bushmaster Protected Mobility Vehicles and unmanned aerial vehicles, infantry training to the Ukrainian Armed Forces and 155-millimetre artillery ammunition to Ukraine as part of a joint initiative between France and Australia.

Recognising the Australian Defence Force's Unique Service to the Nation

The Government will provide \$397.4 million over two years from 2023–24 to support the retention of Defence personnel and the achievement of Defence's workforce growth targets.

Funding includes:

- \$395.4 million over two years from 2023–24 to pilot a \$50,000 continuation bonus that would be offered to Australian Defence Force (ADF) personnel nearing the completion of relevant initial periods of service
- \$2.0 million in 2023–24 to conduct a defence housing feasibility review aimed at reducing the housing burden on ADF personnel, encouraging home ownership and ensuring Defence housing meets future needs.

Mental Health

The Government will provide \$556.2 million over 5 years from 2022–23 (and \$36.0 million ongoing) to strengthen Australia's mental health and suicide prevention system.

Pharmaceutical Benefits Scheme (PBS) New and Amended Listings

The Government will provide \$2.2 billion over 5 years from 2022–23 for new and amended listings on the Pharmaceutical Benefits Scheme (PBS), the Repatriation Pharmaceutical Benefits Scheme, the Life Saving Drugs Program, the National Epidermolysis Bullosa Dressing Scheme and the Stoma Appliance Scheme.

Reducing Patient Costs and Improving Services through Community Pharmacies

The Government will provide \$1.3 billion over 5 years from 2022–23 and deliver savings of \$1.3 billion over 4 years from 1 July 2023 to reduce patient costs and improve access to medicines and related services delivered by community pharmacies.

Strengthening Medicare

The Government will provide \$5.7 billion over 5 years from 2022–23 as an initial investment to provide better access and more affordable care for patients in response to the Strengthening Medicare Taskforce Report.

Funding to support greater access to primary care services includes \$3.5 billion over 5 years from 2022–23 to address the decline in general practitioners' bulk billing of patients on low incomes, and children. This funding will triple the bulk billing incentive benefits for consultations for Commonwealth concession card holders and patients aged under 16 years of age.

Safely Managing Australia's Radioactive Waste

The Government will provide \$476.4 million over 7 years from 2023–24 (and \$38.7 million ongoing from 2030–31) for the safe and sustainable management and disposal of Australia's radioactive waste.

2032 Brisbane Olympic and Paralympic Games – venue infrastructure

The Government will provide up to \$3.4 billion over 10 years from 2023–24 to support venue infrastructure for the 2032 Brisbane Olympic and Paralympic Games.

Better Funded National Broadcasters

The Government will provide \$7.7 billion over 5 years from 2023–24 to support Australia's national broadcasters, including \$6.0 billion for the Australian Broadcasting Corporation (ABC) and \$1.8 billion for the Special Broadcasting Service (SBS).

Improving the Effectiveness and Sustainability of the National Disability Insurance Scheme

The Government will provide \$732.9 million over 4 years from 2023–24 to support participant outcomes and the effective and sustainable operation of the Scheme.

Increase to Working Age Payments

The Government will provide \$4.9 billion over 5 years from 2022–23 (with \$1.3 billion per year ongoing) to increase support for people receiving working age payments including the JobSeeker Payment. This measure will:

- increase the base rate of working age and student payments by \$40 per fortnight. This increase applies to the JobSeeker Payment, Youth Allowance, Parenting Payment (Partnered), Austudy, ABSTUDY, Disability Support Pension (Youth), and Special Benefit. It will commence on 20 September 2023
- extend eligibility for the existing higher single JobSeeker Payment rate for recipients aged 60 years and over to recipients aged 55 years and over who are on the payment for 9 or more continuous months.

Increased Support for Commonwealth Rent Assistance Recipients

The Government will provide \$2.7 billion over 5 years from 2022–23 (and \$0.7 billion per year ongoing) to increase the maximum rates of the Commonwealth Rent Assistance (CRA) allowances by 15 per cent to help address rental affordability challenges for CRA recipients.

Jobs and Skills Summit – incentivise pensioners into the workforce – six months extension

The Government will provide \$3.7 million in 2023–24 to extend the measure to provide age and veterans pensioners a once-off credit of \$4,000 to their Work Bonus income bank and temporarily increase the maximum income bank until 31 December 2023.

Parenting Payment (Single) – improved support for single parents

The Government will provide \$1.9 billion over 5 years from 2022–23 (and \$0.5 billion per year ongoing) to extend eligibility for Parenting Payment (Single) 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 8 years of age.