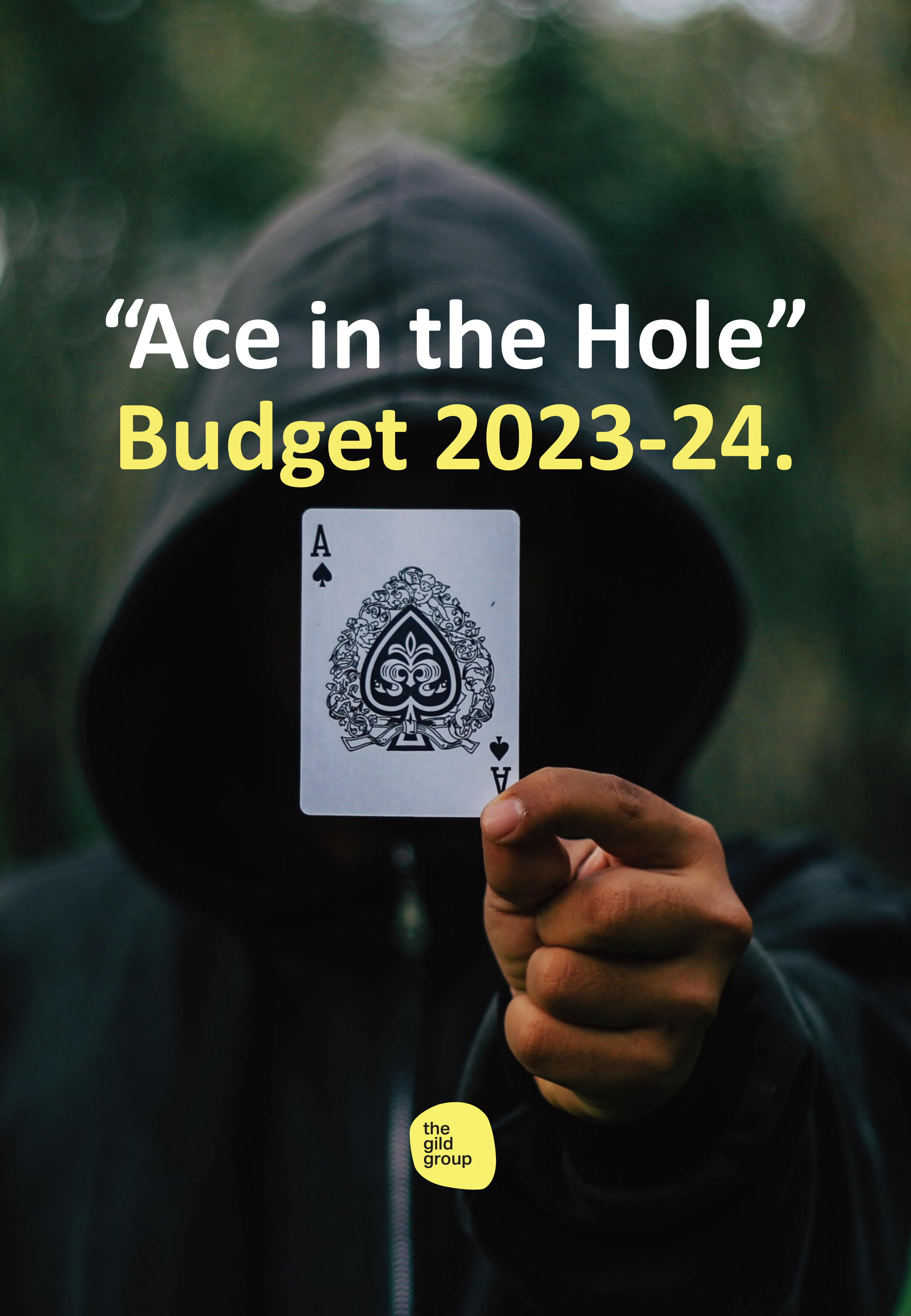
“Ace in the Hole”
Budget 2023-24.



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“Ace in the Hole” Budget 2023-24.

Overview.

The `ace in the hole’ of the 2023-24 Federal Budget was the $4.2bn surplus; the first in 15 years.

The surplus was driven by a surge in the corporate and individual tax take. High commodity prices, inflation, and high employment have all pushed up corporate and individual tax receipts. But the gains can't be relied on long term. The Budget is expected to deliver a deficit of $13.9 billion in 2023-24, and a $35.1bn deficit in 2024-25.

Social initiatives dominated the Budget:

- Energy bill relief for some households and small business
- Encouraging doctors to offer bulk billing by tripling the incentive for children under 16, pensioners and other Commonwealth card holders.
- Increases to commonwealth rent assistance.
- Increases to Jobseeker and other income support payments.
- Expanding access to the single parenting payment

The legislated stage 3 tax cuts legislated to take effect on 1 July 2024 remain in place. Stage 3 radically simplifies the tax brackets by collapsing the 32.5% and 37% rates into a single 30% rate for those earning between $45,001 and $200,000.

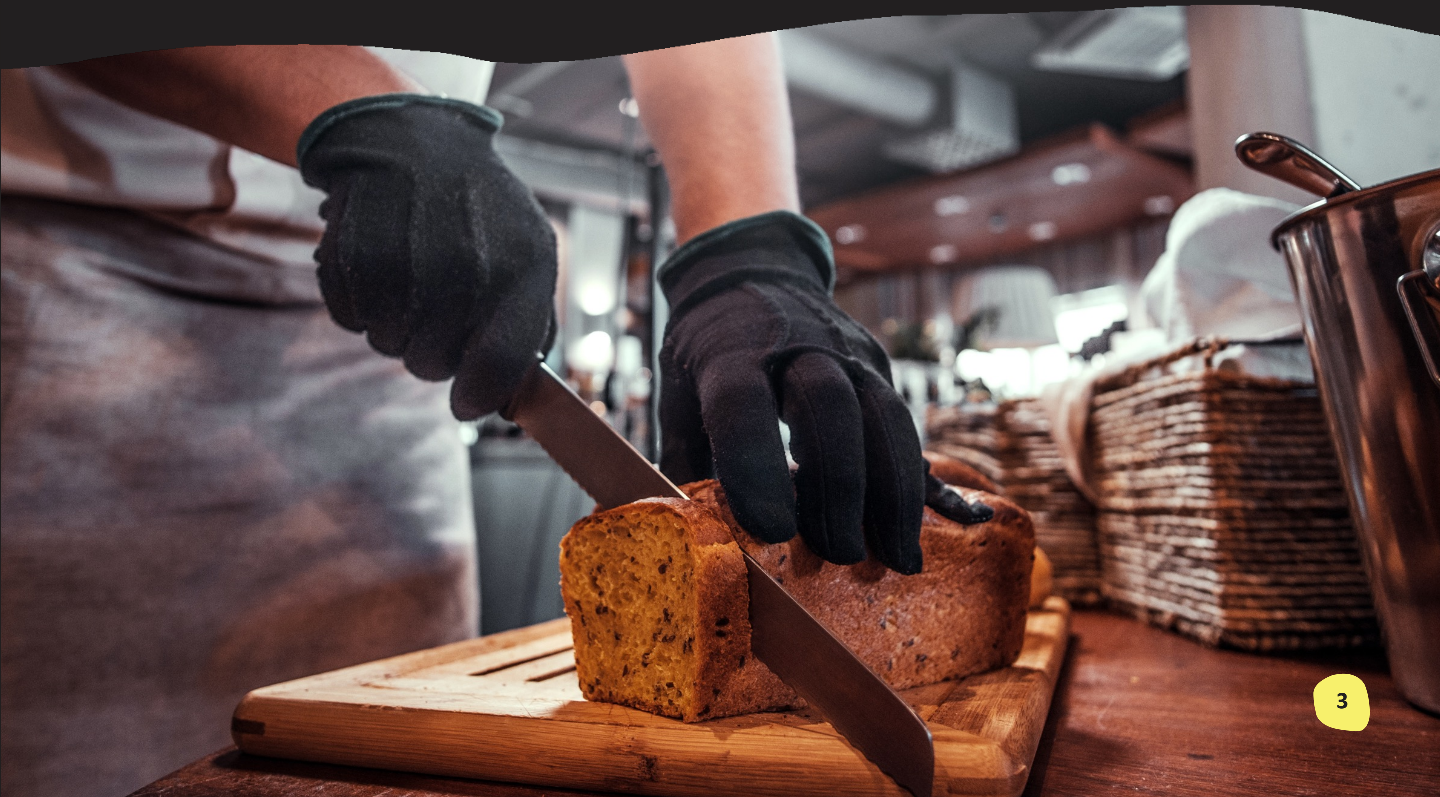
For small business, the instant asset write-off will enable multiple assets of up to $20,000 to be written-off in the year of purchase.

What Wasn’t in the Budget.

- There was no mention of the loss carry back rules for companies, suggesting that these rules will expire on 30 June 2023, along with the temporary full expensing rules. The loss carries back rules allow eligible companies to apply tax losses against taxable profits made in certain previous income years, rather than carrying them forward to future years.

- There is no mention of the simplification of Division 7A - Division 7A captures situations where shareholders access company profits in the form of loans, payments, or the forgiveness of debts. The 2016-17 Federal Budget proposed changes to reduce the compliance burden of Division 7A. These changes were initially meant to apply from 1 July 2018 but were deferred several times, before the Government announced that any changes would commence from the start of the income year following the date on which the changes receive Royal Assent. Aside from a Treasury discussion paper released back in October 2018, this issue remains in limbo.

- The Budget also doesn't refer to either the Skills and Training Boost or the Technology Investment Boost. These measures, announced by the previous Government, would provide a bonus deduction equal to 20% of qualifying expenditure if the legislation containing these measures is passed in its current form (Treasury Laws Amendment (2022 Measures No. 4) Bill 2022). The Technology Investment Boost is aimed at expenditure incurred between 7:30pm (ACT) on 29 March 2022 and 30 June 2023. The Skills and Training Boost is aimed at expenditure incurred between 7:30pm (ACT) on



Budget Changes That Help You.

Acquiring Assets?

Under the current 'Temporary Full Expensing' provisions, businesses with a turnover of less than $5 billion can claim an immediate deduction for the costs of purchasing eligible assets – and where your turnover is less than $50m, these assets can also be second hand!

This generous concession will end on 30 June 2023, and businesses will be reverted to pre-Covid depreciation rules. Additionally, a company's ability to claim tax refunds for losses against prior year tax payments will also end on 30 June.

One concession that will be provided is the 'Instant Asset Write-Off'. Businesses with a turnover of less than $10m can claim an immediate deduction for the purchase of eligible assets, where the cost of the asset is less than $20,000.

The key takeaway for your business from this is if you are considering purchasing depreciating assets (such a plant and equipment, motor vehicles, etc) it is more important than ever to plan the timing for this. Getting it wrong can mean you are locked into claiming a deduction over several years, in some cases 20 years plus!

Reach out to us to see how we can help plan your acquisitions to maximise the benefits to your business.

Small Business Energy Incentive

From 1 July 2023, businesses with a turnover of less than $50m can access an additional 20% deduction on expenses (up to $100,000 per year) relating to electrification and improving energy efficiency. This can include costs such as:

- heating and cooling systems
- upgrading to more efficient fridges and induction cooktops
- installing batteries and heat pumps.

The $100,000 cap means the maximum deduction will be $20,000, and some assets like EVs, solar and wind generation assets are excluded, however this presents a useful bonus if your business is considering spending on electrification or energy efficiency.

Reach out to us to see how we can help you plan and access these concessions.

Build to Rent Housing Changes

Build to rent housing are generally apartment buildings that are built with the purpose of renting rather than sale. The government has announced that 2 important changes to help with build to rent developments:

1. Increasing Capital Works Tax Deductions: Capital works are the structural components of buildings - which normally receive a tax deduction of 2.5% of cost have now been accelerated to 4% of cost for construction which commences from 9 May 2023. For apartment complexes which are largely structural this impact can have a large and positive tax effect.
2. Withholding Tax Reductions: For foreign investors in managed investment trusts which construct residential build to rent properties the withholding tax on certain eligible fund payments will reduce from 30% to 15% which will encourage greater foreign investment.

Reach out to us if you have any questions in relation to build to rent housing.

Electric Car Discount: Changes to Plug in Hybrids

The electric car discount was introduced to make zero or low emission cars exempt from FBT. Initially this included Plug in Hybrid cars.

The government has announced that from 1 April 2025 plug in hybrids will cease to be eligible – existing arrangements for plug in hybrids that have been put in place between 1 July 2022 and 31 March 2025 will remain FBT exempt.

Reach out to us if you need assistance with Fringe Benefits Tax for zero and low emission vehicles.

Pay Day Superannuation Contributions from 1 July 2026

The government has announced that from 1 July 2026 all superannuation contributions for employees will be required to be made at the same time as payments for salary and wages.

The purpose of this is to reduce payroll liabilities and increase superannuation member balances for all employees. We have 3 years to prepare for this change to make sure that we have the right systems and processes in place.

Reach out to us if you need assistance with payroll and superannuation administration for your business.

Music & Entertainment.

Do music and entertainment artists catch a break in this years' budget?

There might be a little bit of hope.
Key commitments include:

- The establishment of Creative Australia, a new arts investment and advisory body that expands the functions and funding of the Australia Council and will continue to fund projects at arm's length, based on their artistic merit.
- The creation of a First Nations-led board within Creative Australia to make decisions about investment in First Nations works.
- The creation of Music Australia, worth $69 million, with a remit to invest in the development, production, and promotion of Australian music, as part of Creative Australia.
- The creation of Writers Australia ($19.3 million), as part of Creative Australia, for funding, research, and advocacy for writers, including the appointment of Australia's first poet laureate, and determining the winners of the Prime Minister's Literary Awards.
- The creation of a Centre for Arts and Entertainment Workplaces ($8.1 million), as part of Creative Australia, which will address complaints about fair pay, sexual harassment, bullying and discrimination in the industry. Government funding for organisations could be withdrawn if they fail to adhere to new workplace safety standards.
- The restoration of $44 million to the Australia Council (rebranded as Creative Australia) to address underfunded areas such as youth arts.

Reach out to us if you need any tax, accounting, royalty, legal, insurance or business management services with specialised music experts.

Innovation, Science & Technology.

While innovation may not appear to be a key highlight of 2023-24 Federal Budget, there are some measures aimed at supporting the transition towards a cleaner and more sustainable economy. The budget includes several welcome initiatives such as strategic investments in frontier technologies and supporting the growth of new science-driven businesses in advanced manufacturing.

So, what impact will the Federal Budget 2023 have on businesses, industries, and sectors? Here are our key takeaways...

R&D Tax Incentive

There have been no changes proposed to the R&D Tax Incentive program - anticipated by many and echoed earlier this year in a statement from the Minster for Industry and Science Ed Husic, 'improved measures to incentivise R&D spending are under consideration for the May budget, but no changes to existing tax incentives are planned, and nothing will happen without industry consultation'.

Budget papers for the Industry, Science, and Resources portfolio focus primarily on performance measures related to registration and annual administered expenses of the Research & Development Tax Incentive highlighting, 'Expenses for the Research and Development Tax Incentive administered by the Australian Taxation Office are expected to increase over the period 2023–24 to 2026–27 due to the increases in number and value of expected claims following the reopening of international markets post COVID-19.'
In March.

Expenses for the R&D expected to increase.

EMDG (Biggest Loser of the Budget)

The Export Market Development Grant (EMDG) scheme, which helps small and medium-sized Australian businesses expand into foreign markets, will face a $61 million funding cut over four years starting in 2023-24.

Funding Opportunities: Innovation, Energy & Technology

- $392 million for the Industry Growth Program over 4 years (then $65 million a year ongoing) which will replace the Accelerating Commercialisation Program to help support businesses to commercialise their ideas. The Industry Growth Program will offer matched grant funding of $50,000 to $5 million to help businesses align with the National Reconstruction Fund.
- $101.2 million over five years from 2022-23 to support businesses to integrate quantum and AI technologies into their operations.
- $2 billion Hydrogen Headstart program to accelerate the development of hydrogen clean energy technologies.
- $14.8 million over four years from 2023-24 to establish the Powering Australia Industry Growth Centre to develop advanced technology and skills as part of the Government's Australian Made Battery Plan.
- $1.3 billion over 5 years for a Powering the Regions program for emissions reduction and clean energy development.

Reach out to us if you need assistance with R&D Tax Incentive advice or claims, or require further advice on specialised grants and concessions for your industry – we can help!

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