

October 2023 Federal Budget

While some might get excited by the prospect of having two Federal budgets in the one year, many of us sit back and wait with trepidation, wondering what they will change this time. This time however, there were not a lot of big changes, and certainly not in the area of tax and superannuation.

This first budget for the new Labor Treasurer was drafted in the shadow of rising inflation and cost of living pressures. Time will tell if their plans will work.

There were a few changes in the area of Tax and Super that we will cover in this newsletter. Most importantly, there have been no changes to personal income tax rates, and the previously announced "Stage 3" tax cuts will go ahead from 1 July 2024.

Extra funding for ATO compliance programs.

The Australian Taxation Office was a winner in the Budget, receiving extra funding to help it increase its work in tax compliance. This extra money will be used to extend the ATO's Personal Income Tax Compliance Program, focusing on taxpayers who are overclaiming tax deductions and incorrectly reporting their income.

Some of the extra funding will also go towards the ATO's Shadow Economy Program and Tax Avoidance Taskforce, with additional compliance activities in these areas expected to raise \$3.7 billion over four years.

Incentives to encourage the purchase of new electric cars

Battery, hydrogen, or plug-in hybrid cars, with a retail price below \$84,619, will now be exempt from fringe benefits tax (FBT) and import tariffs.

As an example of the kind of savings on offer, an employee on a salary of \$150,000, who salary-packages a \$60,000 electric car with annual running costs (including lease payments) of \$17,000 (net of GST), could expect to be around \$4,500 better off annually (after tax).

It is worth noting though, that the FBT exempt electric vehicle will still be subject to the reportable fringe benefits rules. This means it may impact on the individual employee's entitlement to certain tax concessions or obligation to certain tax liabilities, depending on the individual employee's circumstances. It will also mean that employers will still be required to calculate and report these amounts. It should also be noted that this FBT exemption can only benefit employees and is not available to sole traders.

Multinational tax measures

The Budget included measures designed to close tax loopholes and ensure multinationals pay their fair share of tax in Australia. The government also intends to focus on working with other countries to reform the international corporate tax system to “better address the challenges arising from digitalisation and globalisation”.

Support for small business owners

Those running a small business have not been forgotten entirely. \$15.1 million in additional funding has been promised to extend the small business mental health and financial counselling programs, NewAccess for Small Business Owners and the Small Business Debt Helpline.

Energy efficiency grants for SMEs

Commonwealth grants will be made available to small and medium enterprises (SMEs) to help them invest in energy efficient upgrades. This will cover feasibility studies, planning measures, along with equipment and facility upgrades designed to boost efficiency, lower emissions, or smooth out power demand.

The scheme will kick off in the 2022-2023 financial year, but the budget papers did not provide detail on when applications would open or what precise upgrades would be eligible.

Increased eligibility for downsizer contributions

The minimum eligibility age, for the downsizer contributions scheme, will be reduced from the current 60 to 55 years of age. The scheme encourages older Australians to downsize their home (sell their big home and buy a smaller one) by allowing them to contribute lump sums from the sale into their superannuation funds.

Older Australians will also be encouraged to downsize by exempting their home sale proceeds from aged pension asset testing from the current 12 months to 24 months.

Digital currencies

Rules will be introduced to clarify that digital or “crypto” currencies (such as Bitcoin) will not be regarded as a foreign currency for Australian income tax purposes, unless they are issued by a sovereign government. This legislation will apply retrospectively from 1 July 2021, and is consistent with the ATO’s current treatment of digital currencies.

These income tax amendments will require taxpayers who hold cryptocurrencies and other digital assets to treat each “coin” or “asset” as an individual asset for tax purposes.

The Budget also contained many other measures that we have not mentioned here. These include new funding for programs aimed at ending violence against women and children, improving housing affordability and extra childcare subsidies.

LPT Accountants Office

Our office at Narangba is now open and clients are able to visit for appointments or to drop off records.

We do ask though that you let us know of your visit in advance so we can make sure that we are free and able to see you.

Christmas is just around the corner!

We recently had a query from one of our awesome clients, asking about the tax rules for staff Christmas parties and staff gifts. So we thought, why not give everyone a quick refresher in the lead up to the festive season.

Income Tax, FBT and GST all come into play when we consider the implications of business parties and gifts. We need to consider who the recipient is and also where any party is held.

The table below is a handy summary of the different scenarios.

	Employee	Family of Employee	Customer	Supplier
Christmas Party held on business premises				
- Cost per attendee less than \$300	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction
- Cost per attendee more than \$300	No FBT but no tax deduction	FBT applies and tax deductible	No FBT but no tax deduction	No FBT but no tax deduction
Christmas Party held off business premises				
- Cost per attendee less than \$300	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction
- Cost per attendee more than \$300	FBT applies and tax deductible	FBT applies and tax deductible	No FBT but no tax deduction	No FBT but no tax deduction
Gifts that include entertainment				
- Cost less than \$300	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction	No FBT but no tax deduction
- Cost more than \$300	FBT applies and tax deductible	FBT applies and tax deductible	No FBT but no tax deduction	No FBT but no tax deduction
Gifts that do not include entertainment				
- Cost less than \$300	No FBT but can claim tax deduction	No FBT but no tax deduction	No FBT but can claim tax deduction	No FBT but can claim tax deduction
- Cost more than \$300	FBT applies and tax deductible	FBT applies and tax deductible	No FBT but can claim tax deduction	No FBT but can claim tax deduction

Family of an employee includes their spouse/partner/boyfriend/girlfriend etc.

Gifts that include entertainment would be things like

- tickets to sporting events, a movie, the theatre, a theme park or the like; or
- holiday accommodation or airline tickets

It does NOT include things like gift hampers, flowers, wine, perfumes or gift vouchers.

As you can see, the magic number is \$300, as under this the FBT minor benefits exemption can apply.

A minor benefit is one that:

- is provided to staff or their family;
- is provided on an “infrequent” or “irregular” basis;
- is not considered a reward for services. (i.e. it does not replace normal wages); and
- costs less than \$300 “per benefit” inclusive of GST.

It’s also important to note that the business cannot claim a GST credit on expenditure which is not tax deductible. So anywhere in the table above where you see that something is not tax deductible, that also means that you cannot claim the attached GST.