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Federal Government Budget FY 2023/2024

Webinar: Thursday 18th May 2023 @ 12.30pm



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Welcome

- Financially Sorted – 2 office locations in Victoria

Moonee Ponds Level 1, Suite 2, 38 Margaret Street, Moonee Ponds

Wheelers Hill Level 2, Suite 10, 622 Ferntree Gully Road, Wheelers Hill



- Services – Taxation & Accountancy, Financial Planning & Wealth Creation, SMSF Services, Insurances, Loan Broking, Bookkeeping, Xero & Cloud Accountancy Training, CFO Services.
- Recommendation – Build a network of experts around you to help you achieve your objectives (would include property advocate, accountant – for both business & wealth purposes, conveyancer/solicitor)



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Disclaimer

□ General Advice Only

The information provided in this seminar/webinar has been prepared for general information purposes only and not as specific advice to any particular person or situation.

Any advice contained in this document is General Advice only and does not take into account any person's particular investment objectives, financial situation and particular needs.

Before making any decisions, it's recommended to seek advice from a qualified professional relevant to your particular needs or interests. This may include tax advice from an Accountant &/or Tax Agent, Financial Advice from Licensed Financial Adviser or other professionals where required.



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Agenda

❑ Discussion Points

- ✓ Superannuation Changes
 - ✓ Tax Changes
 - ✓ Social Security
 - ✓ Other Measures
 - ✓ What to do Next
-
- ✓ Tax Planning Strategies



❑ Budget Announcements are still only proposed at this stage & have not been legislated!



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Highlights

□ Highlights

- ✓ “ ... strike a considered, methodical balance ... between spending restraint to keep the pressure of inflation, while doing what we can to help people struggling to make ends meet...
- ✓ Budget measures included:
 1. Provide cost of living relief
 2. Deliver historic investments in Medicare and the care economy
 3. Lay the foundations for growth
 4. Strengthen the Budget



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Superannuation

□ Superannuation

- ✓ Minimum pension drawdown will come to an end of 30th June 2023
- ✓ Originally introduced in response to the COVID-19 crisis, the Federal Government granted a temporary 50% reduction in the minimum pension drawdown
- ✓ This pension drawdown relief was extended to 2021/22 and was also extended for another year to 2022/23.





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Superannuation

☐ Minimum Pension Drawdowns

Age	2013/14 to 2018/19	2019/20 to 2022/23 (Previous Years)	2023/24 (Future)
Under 65	4.0%	2.0%	4.0%
65-74	5.0%	2.5%	5.0%
75-79	6.0%	3.0%	6.0%
80-84	7.0%	3.5%	7.0%
85-89	9.0%	4.5%	9.0%
90-94	11.0%	5.5%	11.0%
95 or older	14.0%	7.0%	14.0%



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Superannuation

☐ SGC Updates

- ✓ The Budget paper did not contain any changes to the legislated Super Guarantee rises in the coming years

Period	SGC Rate
01.07.2002 to 30.06.2013	9.00%
01.07.2013 to 30.06.2014	9.25%
01.07.2014 to 30.06.2021	9.50%
01.07.2021 to 30.06.2022	10.00%
01.07.2022 to 30.06.2023	10.50%
01.07.2023 to 30.06.2024	11.00%
01.07.2024 to 30.06.2025	11.50%
01.07.2025 onwards	12.00%



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Superannuation

❑ SGC Changes Are Coming ...

- ✓ Employers &/or Self-Employed – Be careful & stay tuned
- ✓ Commencement – 1st July 2026
- ✓ Current – SGC is required to be paid quarterly
- ✓ Future – SGC will be paid at the same time as wages
- ✓ Data matching – capture those that are not doing the right thing
- ✓ Software providers – to advise of changes, most likely through STP



❑ Problems - employer cashflow & administration requirements!



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Superannuation

❑ Superannuation Taxes Are Changing ...

- ✓ Do you have a Super balance of more than \$3 million
- ✓ Commencement – 1st July 2025
- ✓ Current Tax – earnings taxed @ 15%
- ✓ Future Tax – earnings taxed @ 30%
- ✓ Pension Accounts – treated differently



❑ Question – is it worth withdrawing cash?

❑ Question – property or share growth over time?



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☐ Tax Cuts

✓ Stage 3 Tax Cuts

A large red circle containing the text "NO CHANGE" in white, bold, uppercase letters.

**NO
CHANGE**



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Personal Tax

□ Tax Cuts

Taxable Income	FY2022 & FY2023 & FY2024 (Legislated)	From 1 st July 2024 (Legislated)
\$Nil to \$18,200	0.00%	0.00%
\$18,201 to \$45,000	19.00% over \$18,200	19.00% over \$18,200
\$45,001 to \$120,000	\$5,092 + 32.50% over \$45,000	Not Applicable
\$120,001 to \$180,000	\$29,467 + 37.00% over \$120,000	Not Applicable
\$180,001 upwards	\$51,667 + 45.00% over \$180,000	Not Applicable
\$45,001 to \$200,000	Not Applicable	\$5,092 + 30.00% over \$45,000
\$200,001 upwards	Not Applicable	\$51,592 + 45.00% over \$200,000



☐ Medicare Levy Thresholds

✓ Increase has arrived – effective 1st July 2021

Taxpayers (not entitled to seniors & pensioner tax offset)	FY2021/22	FY2022/23
Single	\$23,365	\$24,276
Couple/Sole Parent (Family Income)	\$39,402	\$40,939
Taxpayers (entitled to seniors and pensioners tax offset)		
Single	\$36,925	\$38,365
Couple/Sole Parent (Family Income)	\$51,401	\$53,406
For each dependent child or student, add ...	\$3,619	\$3,760



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Business & Individuals'

□ PAYG Instalments

- ✓ Reduction in GDP adjustment factor for PAYG Instalments and GST Instalment
 - Currently – 12% increase
 - Future – 6% increase
 - Date 1st July 2023

□ Variations – Be Careful ...





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Business

❑ Instant Asset Write Off

- ✓ From 1st July 2023 – decreased to \$20,000
- ✓ Currently – \$150,000 until 30 June 2023
- ✓ Small Businesses only
- ✓ “ ... installed and ready for use ...”
- ✓ Per asset basis



❑ Please note – assets costing \$20,000 or more will continue to be placed into a small business depreciation pool under the existing rules.



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Social Security

Income Support

- ✓ Increase of \$40 per fortnight
- ✓ Date – 20 September 2023

- ✓ Who
 - JobSeeker Payment
 - Youth Allowance
 - Parenting Payment (Partnered)
 - Austudy
 - Couple of Others





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Social Security

☐ JobSeeker Qualification

- ✓ Current – Age is 60 to qualify
- ✓ Future – Age will be 55 to qualify

- ✓ Applies to those who have received the payment for 9 or more continuous months.





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Social Security

☐ Parenting Payment (Single)

- ✓ Currently – applicable for those with child up to 8 years of age
- ✓ Future – will be applicable with child up to 14 years of age.
- ✓ Improved support for single parents will provide wellbeing benefits particularly for single mothers, who are overwhelmingly the recipients of this payment, and their children.
- ✓ This measure recognises that caring responsibilities can act as a barrier to employment while also recognising that connections with the labour force are likely to improve economic outcomes throughout a carer's lifetime.



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Tax Compliance and Integrity

☐ ATO's Tax Avoidance

☐ Previous Years Budget...

- ✓ The Government provided \$325.0 million in FY2023/24 and \$327.6 million in FY2024/25 to the ATO to extend the operation of the Tax Avoidance Taskforce by 2 years to 30 June 2025
- ✓ The Taskforce was established in 2016 to undertake compliance activities targeting multinationals, large public and private groups, trusts and high wealth individuals
- ✓ It also scrutinises specialist tax advisors and intermediaries that promote tax avoidance schemes and strategies
- ✓ This measure was estimated to increase receipts by \$2.1 billion and increase payments by \$652.6 million over the forward estimates period



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Tax Compliance and Integrity

☐ ATO's Tax Avoidance

☐ This Years Budget...

- ✓ The Personal Income Tax Compliance Program will be extended for 2 years from 1 July 2025 and its scope expanded 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



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Tax Compliance and Integrity

☐ ATO's Tax Avoidance

☐ This Years Budget... (GST Compliance)

- ✓ Funding for GST compliance will be extended for a further 4 years to address emerging risks to GST revenue
- ✓ Nearly \$600 million will be allocated, over an additional 4 years, to GST compliance.
- ✓ This is estimated to generate additional GST receipts of \$3.8 billion and the same amount again in other taxes over the 5 years from 2022-23.
- ✓ This funding extension will support the development of more sophisticated analytical tools to address emerging risks to GST revenue.



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Tax Compliance and Integrity

☐ ATO's Tax Avoidance

☐ This Years Budget... (Extra Funding)

- ✓ Funding for GST compliance will be extended for a further 4 years to address emerging risks to GST revenue
- ✓ Nearly \$600 million will be allocated, over an additional 4 years, to GST compliance.
- ✓ This is estimated to generate additional GST receipts of \$3.8 billion and the same amount again in other taxes over the 5 years from 2022-23.
- ✓ This funding extension will support the development of more sophisticated analytical tools to address emerging risks to GST revenue.



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Be Aware

☐ ATO Reviews/Audits

- ✓ Like anything, the Government & the ATO is looking closely
- ✓ ATO now chasing outstanding amounts and beginning to conduct reviews/audits again
- ✓ ATO Targets – Airbnb, rental properties & CGT calculations
- ✓ SRO Targets – Land Tax
- ✓ These questions/reviews/audits will continue and will increase

☐ Be Careful, They are Watching!





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Other Measures

□ Victoria

- ✓ Media Suggestion & even the State Government has warned that a horror budget looms as concern mount about Victoria's ability to get on top of its economic situation and debt levels
 - Land tax
 - Rental tax
 - Payroll tax
 - Infrastructure projects
 - Public sector downgrades
 - & the list along with the speculation will continue ...

□ Stay Tuned – Tuesday 23 May 2023!





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Tax Planning

How can I maximise Tax
Planning Options
Available?

1. Objective – income, to
legally minimise

2. Objective – expenses,
to legally bring forward





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Maximisation

□ How can I maximise Tax Planning Options Available?

Income

- Objective – to legally minimise
 1. Use salary sacrificing
 2. Utilise a Mortgage Offset Account
 3. Delay income - legally





□ How can I maximise Tax Planning Options Available? ... Continued

Particulars	Pre-Salary Sacrifice (Currently)	Post- Salary Sacrifice (New)
Taxable Income	\$120,000	\$107,000
Tax – Personally (incl. Medicare levy)	\$34,297	\$29,227
Tax – Superannuation Fund	\$ Nil	\$1,950
Tax - Savings	\$ Nil	\$3,120



□ How can I maximise Tax Planning Options Available? ... Continued

Income

2. Mortgage Offset Account

A mortgage offset account is a transaction **account** that is linked to your **home loan**.

The **account's** balance (or a proportion of that balance) is '**offset**' daily against your **home loan** balance. You are only charged interest on the difference between the total loan balance and the amount **offset**.





□ How can I maximise Tax Planning Options Available? ... Continued

Particulars	No Offset Facility (Currently)	With Offset Facility (New)
Home Loan PPR \$1,000,000 @ 4%	\$40,000 (Expense) <i>(Non-Deductible)</i>	\$ Nil
Cash Account \$700,000 @ 2%	\$14,000 (Income) <i>(Assessable Income & then Taxed @ MTR)</i>	\$ Nil
Home Loan with Offset Account \$300,000 @ 4%	\$ Nil	\$12,000 (Expense) <i>(Non-Deductible)</i>
Overall Savings	\$ Nil	\$28,000 (plus, tax savings)



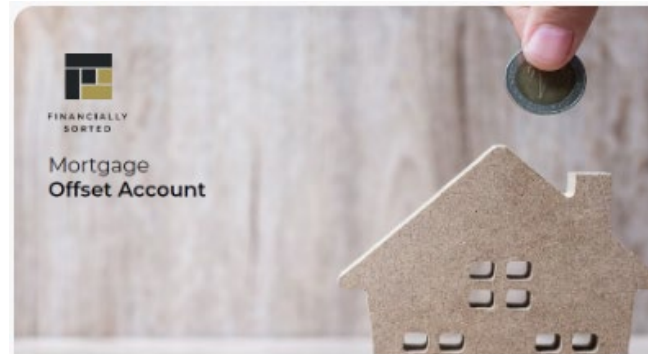
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Maximisation

□ How can I maximise Tax Planning Options Available? ... Continued

Income

2. Mortgage Offset Account:
 - How do you set this up?
 - We can help - stay tuned!



Mortgage Offset Account

[Read The Brochure](#)





□ How can I maximise Tax Planning Options Available? ... Continued

Income

3. Delay Income (Legally)

Defer Invoicing – If your cashflow can stand it, think about deferring your invoicing until after 30 June.

A one-month delay in billing will mean you pay tax on the income a whole year later. Mind you, your customers might want you to bill pre-June so that they can claim a tax deduction. And a few days delay in billing will usually mean that you get paid a whole month later.

□ **Be careful with such a strategy!**



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Options Available

❑ What type of Tax Planning is important and available?

Tools of Tax Planning:

1. Accelerating tax deductions
2. Utilising Government offsets/rebates
3. Controlling when income is recognised
4. Reinvestment back into the business





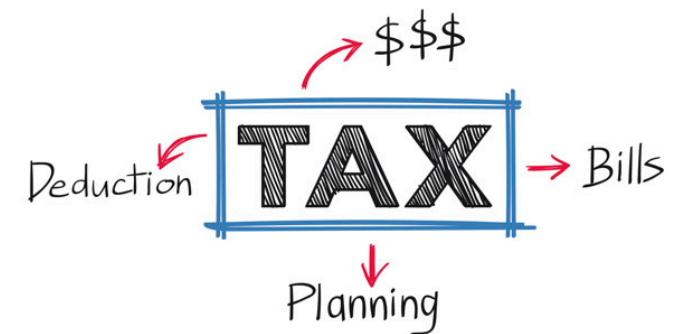
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Options Available

□ Why type of Tax Planning is important & available? ... Continued

Tools of Tax Planning:

- a) Bring forward Expenses (a few months)
- b) Prepayment of Expenses (up to 12 months)
- c) Full Expensing of Eligible Assets - \$150,000 Covid Relief
- d) Superannuation Strategies & Contributions





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Options Available

□ Why type of Tax Planning is important & available? ... Continued

Tools of Tax Planning:

- a) **Bring forward Expenses (a few months)**
 - Bring forward expenditure that will be spent anyway





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Options Available

□ Why type of Tax Planning is important & available? ... Continued

Tools of Tax Planning:

b) Prepayment of Expenses (up to 12 months)

- The “**12-month rule**” allows for the deduction of a **prepaid expense** in the current year if the right or benefit paid for does not extend beyond the earlier of:
 - **12 months**, or
 - the end of the taxable year following the taxable year in which the payment is made.

❑ Why type of Tax Planning is important & available? ... Continued

Tools of Tax Planning:

c) Full Expensing of Eligible Assets - \$150,000 Covid Relief

- Business with aggregated annual turnover of up to \$5b can deduct the full cost of eligible depreciable assets of any value in the year they are installed
- The full expensing period is available from 7:30pm AEDT on 6 October 2020 to 30 June 2023

❑ Government encouraging businesses to spend money on equipment & build for future growth.



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Options Available

□ Why type of Tax Planning is important & available? ... Continued

Tools of Tax Planning:

□ Accounting Tip

- Great – depreciation claim now, less taxable income which equals less taxes today
- Be careful, future taxable income, financing requirements & possible GST could arise





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Options Available

□ Why type of Tax Planning is important & available? ... Continued

Tools of Tax Planning:

d) Superannuation Strategies & Contributions

- Let's have a look at this one as a separate strategy





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Superannuation Strategies

□ Superannuation Strategies to consider & adopt

- a) SGC Contributions - \$27,500 cap
- b) Personal tax-deductible (concessional) super contributions
- c) Personal non-deductible (non-concessional) super contributions
- d) Split your contributions/balances to your spouse
- e) Consolidating spouses' super balances (SMSF's)



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Superannuation Strategies

□ Superannuation Strategies to consider & adopt

SGC Contributions - \$27,500 cap

- For the FY2022 financial year, the general concessional contributions **cap** is **\$27,500** for all individuals regardless of age
- FY2023 the contributions cap – no changes at this point

Instructions for super fund members

Deduction for personal super contributions

How to complete your Notice of intent to claim or vary a deduction for personal super contributions



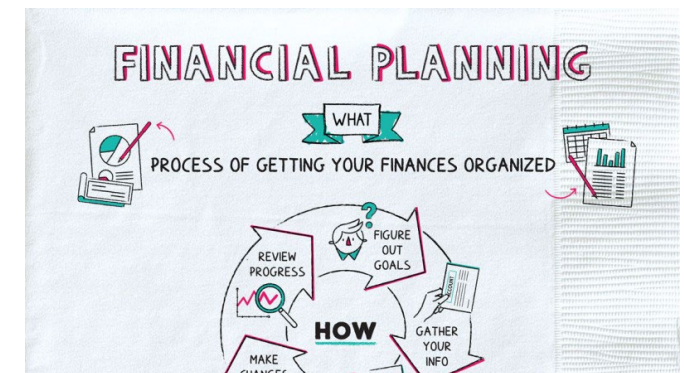
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Financial Planning

□ Financial Planning & Insurances – the importance of it

- ✓ What effect has Covid-19 had on your superannuation, insurances & investments
- ✓ Wealth & Financial Planning becomes imperative
- ✓ Contact - Dasith Monnekulame on dasithm@financiallysorted.com.au or 9888 3175

□ Objective – get yourself Financially Sorted!!!





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☐ Webinars

- ✓ Webinar – to be added
- ✓ Access via our website:
 - Watch
 - Download Presentation

- <https://www.financiallysorted.com.au/webinars/>





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Next Steps

**What to do
next?**

What will get
legislated?

Access and
download via
our website

Ask for
assistance





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Contact Details

☐ Next Steps

- ✓ Talk to us for assistance
- ✓ Make sure all compliance is up to date with ATO – ITR's, BAS's, Super
- ✓ It's time to get Financially Sorted!

☐ Contact

03 9370 4800

☐ Webpage

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