



# 2023 Budget: Inflationary expectations?

National online briefing and discussion

Thursday, 11 May 2023  
10:30 – 11:30am (AEST)



**David Montani**  
National Tax Director



**Darren Chinnappa**  
Partner, Sydney



**Robert Prime**  
Partner, Adelaide

# Disclaimer

The material contained in this presentation is for general information purposes only and does not constitute professional advice or recommendation from Nexia Australia. Specific professional advice which takes into account your particular situation or circumstance should be obtained by contacting your Nexia Advisor.

Nexia Australia refers to the Nexia Australia Pty Ltd Umbrella Group comprising separate independent Chartered Accounting firms. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see [www.nexia.com.au/Legal](http://www.nexia.com.au/Legal). Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

Liability limited under a scheme approved under Professional Standards Legislation.

# 2023 Budget Overview

- Expected surplus of \$4.2 billion for 2022-23
- Projected deficits:
  - 2023-24: \$13.9 billion
  - 2024-25: \$35.1 billion
  - 2025-26: \$36.6 billion
- Peak net debt of \$703 billion by 2026-27
  - 24.1% of GDP

# 2023 Budget Overview

- Unemployment forecast:
  - 2022-23: 3.5%
  - 2023-24: 4.25%
- Inflation forecast:
  - 2023-23: 6%
  - 2023-24: 3.25%



Personal taxation  
Superannuation  
Business  
Other  
Wrap up

**Advisory. Tax. Audit.**



# Personal taxation

**Advisory. Tax. Audit.**

# Stage 3 tax cuts

## 1 July 2024

Current		From 1 July 2024	
Bracket	Rate	Bracket	Rate
0 to \$18,200	Nil	<i>No change</i>	
\$18,201 to \$45,000	19c		
\$45,001 – \$120,000	32.5c	\$45,001 - <i>\$200,000</i>	<i>30c</i>
\$120,001 – \$180,000	37c	<i>Abolished</i>	
\$180,001+	45c	<i>\$200,000+</i>	45c
5 brackets		4 brackets	
Before 2% Medicare levy			

# Stage 3 tax cuts

## Reduction

- Income between \$45k and \$200k
  - Currently 32.5,c, 37c & 45c rates
  - All 30c instead

Year	Tax & ML on \$200k
2023-24	\$64,667
2024-25	\$55,592
Reduction	\$9,075

- Automatic saving
  - No planning required

# Low-and-middle-income tax offset

## Not reappearing

- Low-income tax offset only
  - \$700
  - Tapers off \$37,500 – \$66,667
- Effective tax-free threshold where income <\$37,500:
  - \$21,884 [ $\$18,200 + (\$700 / 0.19)$ ]

# Cost-of-living relief

- Electricity relief
- Bills subsidised up to \$500
- Dependent on where live



# Superannuation

**Advisory. Tax. Audit.**

# Employers' super obligations

- 1 July 2026
- Super Guarantee payable when pay employees' wages
  - Currently quarterly
- 12% by then
- Efficiencies of computerised payroll, Single Touch Payroll
  - Prepare for the change
- Manage cashflow
  - Paying sooner

# Employer super compliance

- Estimated \$3.4 billion unpaid in 2019-20
- Part of employee remuneration
- Additional resources for ATO to detect unpaid employer super
- Substantial penalties for non-compliance

# Additional 15% tax

- From 1 July 2025
- Where total super balance >\$3m at 30 June
  - All super accounts
  - Accumulation & pension

# Additional 15% tax

- 15% tax on excess “earnings”
  - Portion of change in account value
  - Adjust for contributions/withdrawals
  - If a “loss”, proportion carried fwd
- Taxes unrealised gains
  - No 1/3<sup>rd</sup> discount
  - No credit toward realised gains
    - Additional tax

# Additional 15% tax Example

- Jim has a SMSF
  - Sole member
- One asset – commercial property
  - Value at:
    - 1 July 2025: \$3m
    - 30 June 2026: \$4m
- Accumulation phase
- No contribution/withdrawals during 2025-26

# Additional 15% tax

## Example, cont

- Total super balance >\$3m at 30 June 2026
  - 15% additional tax applies
- “Earnings” are:
  - \$4m – \$3m = \$1m
- Proportion above \$3m:
  - $(\$4m - \$3m) / \$4m = 25\%$
- 2025-26 tax liability:
  - $15\% \times \$1m \times 25\% = \$37,500$

# Non-arm's length income rules

## Expenses

- SMSFs
- Small APRA funds (6 or fewer members)
- General expenses not at arm's length terms
- Shortfall x 2 x 45%
  - Effective 90% tax impost
- Akin to domestic transfer pricing
- Arbitrage between super tax rate of 15%, higher income tax rates



# Business taxation

**Advisory. Tax. Audit.**

# Instant asset write-off

## Depreciating assets

- Businesses with group-wide turnover below \$10 million
- Was to return to \$1,000 1 July 2023
- Temporary change: <\$20,000 (exl GST)
- Installed ready for use 1 July 2023 – 30 June 2024

# Small business energy incentive

## 20% bonus deduction

- Turnover <\$50 million
  - No mention of grouping
- Encourage energy-efficient investments. Eg
  - Electrifying heating/cooling
  - Upgrade to more efficient equipment
- Installed ready for use between 1 July 2023 and 30 June 2024
- Up to \$20,000 bonus deduction (max \$100,000 x 20%)

# Patent box regime

- Announced by previous Government
- 17% tax rate for certain patent income
- Not proceeding

# PAYG, GST instalments

- Increase by GDP Adjustment Factor
- Statutory standard 12% increase
- Halved to 6% for 2023-24
- Can still vary down instalments where appropriate

# Small business collaboration

- From 1 July 2024, Tax agents lodge multiple STP forms for clients
- From 1 July 2025, up to four years to amend tax returns
  - Presumably where otherwise in 2-year limit
  - Unknown whether ATO also has extra 2 year to amend

# Lodgement amnesty

- Group-wide turnover < \$10 million
- Tax statements due 1 December 2019 – 29 February 2022
  - Core pandemic period
- Failure to Lodge penalty remitted
- Lodge between 1 June 2023 – 31 December 2023
- Eg, late by 18 months:

Entity	Penalty remitted
Small	\$7,700
Medium	\$15,400
Large	\$38,500
SGE	\$137,500



## Other measures

**Advisory. Tax. Audit.**

# Build-to-rent accommodation

- Encourage increase housing supply
- New construction commenced after 9 May 2023
  - Building depreciation rate increase from 2.5% to 4%
- Managed investment trust payments to non-residents
  - Withholding rate reduced from 30% to 15%
- Eligibility conditions include:
  - 50+ dwellings
  - 10-year ownership period
  - Min 3-year lease terms

# Wrap up

- Hoping for more ambitious reform agenda
- Necessary to raise low productivity growth
- “Modest but meaningful” reform insufficient
- “Hard conversations” not yet started
- “Chipping away at the structural challenges”
  - Put down the chisel and use the mallet?

# Thank you