

2024-25 Federal Budget at a glance

Earlier this evening the Treasurer, Mr Jim Chalmers, delivered his third Budget, forecasting a surplus of \$9.3 billion for the current fiscal year.

Economic and Fiscal outlook

Global growth is expected to remain subdued over the next few years as the effects of high inflation, restrictive macroeconomic policies, geopolitical tensions, and challenges in the Chinese economy weigh on the outlook. Global growth is forecast to remain flat at around 3¼ per cent in 2024, 2025, and 2026. This would represent the longest stretch of below-average global growth since the early 1990s. While fighting inflation remains the primary task, as inflationary pressures abate and labour markets soften, the global policy focus will begin to shift to managing risks to growth.

Australia is not immune from global developments and the combination of moderating but high inflation and higher interest rates have resulted in lower growth over the past year. Real GDP is forecast to grow by 1¾ per cent in 2023–24. The Australian economy is well placed to navigate these economic challenges, with moderating inflation, a resilient labour market, a return to annual real wage growth and a solid pipeline of business investment. Although inflation remains elevated, it has moderated substantially and is now less than half of its peak in 2022. The moderation has occurred more quickly than anticipated at the Mid-Year Economic and Fiscal Outlook (MYEFO).

While there remains considerable uncertainty around the outlook for the domestic and global economy, energy bill relief and Commonwealth Rent Assistance in this Budget are expected to directly reduce inflation by ½ of a percentage point in 2024–25 and not expected to add to broader inflationary pressures. This could see headline inflation return to the target band by the end of 2024, slightly earlier than expected at MYEFO.

Executive summary

Superannuation

Super on paid parental leave: Effective 1 July 2025 parents accessing government funded parental leave will be paid superannuation, at 12 per cent of the paid parental leave rate, in addition to their payments.

Unpaid super entitlements: The Government will also recalibrate the Fair Entitlements Guarantee Recovery Program to pursue unpaid superannuation entitlements owed by employers in liquidation or bankruptcy from 1 July 2024.

Payday super: Funding will be provided to implement policy changes such as the introduction of payday superannuation, requiring employers to pay superannuation at the same time they pay salary and wages to employees.

Financial Services measures

Future Made in Australia – Promoting Sustainable Finance Markets: The Government will provide funding to promote the development of sustainable finance markets. These initiatives include:

- Enhancing the resources of ASIC to investigate and take enforcement action against market participants involved in greenwashing and other sustainability-related financial misconduct.
- The Treasury, ASIC, and APRA will also collaborate to develop a sustainable finance framework. This includes issuing green bonds, improving data, and engaging in the development of international regulatory regimes related to sustainable finance.
- Further initiatives include the consultation by ASIC and the Treasury on the design of a labelling regime to regulate the use of sustainability labels on retail investment products.

Future Made in Australia – Strengthening Approvals Processes: The Government will provide \$182.7 million over eight years from 2023–24 (and \$4.5 million ongoing from 2031–32) to strengthen approval processes to support the delivery of the Government’s Future Made in Australia agenda, including Australia’s transition to a net zero economy.

Improving the Australian Carbon Credit Unit Scheme: The Government will provide additional funding over four years from 2024–25 to implement further reforms to the Australian Carbon Credit Unit scheme as part of the Government’s response to the Independent Review of Australian Carbon Credit Units.

Taxation

Strengthening the foreign resident CGT regime: The Government will strengthen the foreign resident capital gains tax (CGT) regime to ensure foreign residents pay their fair share of tax in Australia and to provide greater certainty about the operation of the rules. The amendments will apply to CGT events commencing on or after 1 July 2025.

Counter Fraud Strategy: The Government will provide funding over four years from 1 July 2024 to the ATO to strengthen its ability to detect, prevent and mitigate fraud against the tax and superannuation systems. Funding includes upgrades to information and communications technologies to enable the ATO to identify and block suspicious activity in real time.

Small Business support

\$20,000 instant asset write-off: The Government will continue to improve cash flow and reduce compliance costs for small businesses by extending the \$20,000 instant asset write-off by 12 months until 30 June 2025.

Social Services

Deeming rates: The Government will freeze social security deeming rates at their current levels for a further 12 months until 30 June 2025, to support Age Pensioners and other income support recipients who rely on income from deemed financial investments, as well as their payment, to manage cost of living pressures.

Other measures

Anti-Money Laundering and Counter-Terrorism Financing Reform: The Government will provide funding to implement reforms to strengthen Australia’s Anti-Money Laundering and Counter-Terrorism Financing Act 2006, to enhance Australia’s ability to detect and disrupt illicit financing.

Mental Health: The Government’s \$888.1 million mental health package over eight years will help people get the care they need, while relieving pressure on the Better Access initiative and making it easier to access services. A free, low-intensity digital service will be established to address the gap for people with mild mental health concerns. From 1 January 2026, Australians will be able to access the service without a referral and receive timely, high-quality mental health support. Once fully established, 150,000 people are expected to make use of this service each year.

Power bill relief: From 1 July 2024, more than 10 million households will receive a total rebate of \$300 and eligible small businesses will receive \$325 on their electricity bills throughout the year.

Superannuation

Commonwealth Government-Funded Paid Parental Leave - enhancement

The Government will provide funding to strengthen Australia's government-funded Paid Parental Leave (PPL) scheme and improve women's retirement outcomes. Funding includes:

- paying superannuation on Commonwealth government-funded PPL for births and adoptions on or after 1 July 2025. Eligible parents will receive an additional payment based on the Superannuation Guarantee (12 per cent of their PPL payments), as a contribution to their superannuation fund.
- additional support for small business employers in administering PPL.
- updating communication products and documents for potential PPL recipients.

This measure builds on the October 2022–23 Budget measure titled *Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia's Families* and 2023–24 MYEFO measure titled *Paid Parental Leave Scheme – expansion* and is consistent with the Government's proposed objective of superannuation to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way.

This measure will help normalise parental leave as a workplace entitlement, like annual and sick leave, and reduce the impact of parental leave on retirement incomes.

Workplace Relations

The Government will provide funding to support the progression of the Government's workplace relations agenda designed to increase the Productivity, Education and Training Fund to support practical activities by employer and worker representatives to boost workplace productivity and engage in tripartite cooperation. This will also support workplaces to implement policy changes such as the introduction of payday superannuation.

The Government will also recalibrate the *Fair Entitlements Guarantee Recovery Program* to pursue unpaid superannuation entitlements owed by employers in liquidation or bankruptcy from 1 July 2024.

Funding to support the SuperStream Gateway Network Governance Body

The Government will provide funding over four years from 2024–25 to support the SuperStream Gateway Network Governance Body, an industry-owned not for profit organisation, to manage the integrity of the Superannuation Transaction Network, which allows Gateway Members to transmit contribution data between employers and superannuation funds, with funding provided through the Australian Taxation Office.

Financial Services measures

Future Made in Australia – Promoting Sustainable Finance Markets

The Government will provide \$17.3 million over four years from 2024–25 (and \$3.1 million per year ongoing) to promote the development of sustainable finance markets in Australia. Funding includes:

- \$10.0 million over four years from 2024–25 (and \$1.9 million per year ongoing) for additional resourcing for the Australian Securities and Investments Commission (ASIC) to investigate and take enforcement action against market participants engaging in greenwashing and other sustainability-related financial misconduct.
- \$5.3 million over four years from 2024–25 (and \$1.2 million per year ongoing) for the Treasury, ASIC and the Australian Prudential Regulation Authority (APRA) to deliver the sustainable finance framework, including issuing green bonds, improving data and engaging in the development of international regulatory regimes related to sustainable finance.
- \$1.6 million over two years from 2024–25 for ASIC and the Treasury to consult on the design of a labelling regime to regulate the use of sustainability labels on retail investment products.
- \$0.5 million in 2024–25 to continue the development of Australia's sustainable finance taxonomy, including expanding the taxonomy to cover the agricultural sector.

The cost of this measure will be partially met from cost-recovery through ASIC and APRA industry levies.

This measure builds on the 2023–24 Budget measure titled *Comprehensive Sustainable Finance Agenda*.



Future Made in Australia – Strengthening Approvals Processes

The Government will provide \$182.7 million over eight years from 2023–24 (and \$4.5 million ongoing from 2031–32) to strengthen approval processes to support the delivery of the Government’s Future Made in Australia agenda, including Australia’s transition to a net zero economy. Funding includes:

- \$96.6 million over four years from 2023–24 for the Department of Climate Change, Energy, the Environment and Water to strengthen environmental approvals for renewable energy, transmission, and critical minerals projects, deliver additional regional plans, and undertake targeted scientific studies to improve the environmental data used in decision-making.
- \$20.7 million over seven years from 2024–25 (and \$0.4 million per year ongoing from 2031–32) to improve community engagement and social licence outcomes through permanent establishment of the Australian Energy Infrastructure Commissioner, development of voluntary national developer standards with the support of the Clean Energy Regulator, and the development of a regulatory reform package to realise community benefits in regional communities affected by the energy transition.
- \$19.9 million over four years from 2024–25 for the Department of Climate Change, Energy, the Environment and Water to develop, agree and maintain a national priority list of renewable energy related projects and process assessments for priority projects.
- \$17.7 million over three years from 2024–25 to reduce the backlog and support administration of complex cultural heritage applications under the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* and progress the reform of Australia’s cultural heritage laws.
- \$15.7 million over four years from 2024–25 (and \$4.1 million per year ongoing from 2028–29) for Treasury to strengthen and streamline Australia’s foreign investment framework, through more effective monitoring, enforcement of conditions and timely review of foreign investment applications. This includes refunding 75 per cent of fees for foreign investment applications that do not proceed because the applicant was unsuccessful in a competitive bid process.

The Government has already provided partial funding for this measure.

Improving the Australian Carbon Credit Unit Scheme

The Government will provide an additional \$48.0 million over four years from 2024–25 to implement further reforms to the Australian Carbon Credit Unit scheme as part of the Government’s response to the Independent Review of Australian Carbon Credit Units.

These reforms will establish the Carbon Abatement Integrity Committee to oversee the new proponent led method development process and strengthen integrity, provide enhanced transparency measures, and support First Nations participation including in supporting consent processes for projects on Native Title land.

Taxation

Strengthening the foreign resident capital gains tax regime

The Government will strengthen the foreign resident capital gains tax (CGT) regime to ensure foreign residents pay their fair share of tax in Australia and to provide greater certainty about the operation of the rules. The amendments will apply to CGT events commencing on or after 1 July 2025 to:

- clarify and broaden the types of assets that foreign residents are subject to CGT on.
- amend the point-in-time principal asset test to a 365-day testing period.
- require foreign residents disposing of shares and other membership interests exceeding \$20 million in value to notify the ATO, prior to the transaction being executed.

This measure will ensure that Australia can tax foreign residents on direct and indirect sales of assets with a close economic connection to Australian land, more in line with the tax treatment that already applies to Australian residents. The new ATO notification process will improve oversight and compliance with the foreign resident CGT withholding rules, where a vendor self-assesses their sale is not taxable real property.

These reforms will also improve certainty for foreign investors by aligning Australia's tax law for foreign resident capital gains more closely with OECD standards and international best practice. The Government will consult on the implementation details of the measure.

Strengthening Tax Compliance – Australian Taxation Office Counter Fraud Strategy

The Government will provide \$187.0 million over four years from 1 July 2024 to the ATO to strengthen its ability to detect, prevent and mitigate fraud against the tax and superannuation systems. Funding includes \$78.7 million for upgrades to information and communications technologies to enable the ATO to identify and block suspicious activity in real time.

Personal Income Tax

Cost of Living Tax Cuts

The Government has legislated permanent tax cuts for all 13.6 million Australian taxpayers from 1 July 2024. The tax cuts provide cost-of-living relief, return bracket creep, support women and boost labour supply.

The Government's tax changes provide bigger tax cuts for more taxpayers, delivering meaningful cost-of-living relief to middle Australia without adding to inflationary pressures.

Under the Government's tax cuts, from 2024–25:

- the 19% tax rate will be reduced to 16%,
- the 32.5% tax rate will be reduced to 30%,
- the income threshold above which the 37% tax rate applies will be increased from \$120,000 to \$135,000,
- the income threshold above which the 45% tax rate applies will be increased from \$180,000 to \$190,000.

Increasing the Medicare levy low-income thresholds

The Government has increased the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from 1 July 2023 to provide cost-of-living relief. The increase to the thresholds ensures that low-income individuals continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

The increase to the thresholds accounts for recent annual CPI outcomes and is estimated to decrease receipts by \$640 million over the four years to 2026–27.

The threshold for singles has been increased from \$24,276 to \$26,000. The family threshold has been increased from \$40,939 to \$43,846. For single seniors and pensioners, the threshold has been increased from \$38,365 to \$41,089. The family threshold for seniors and pensioners has been increased from \$53,406 to \$57,198. The family income thresholds will now increase by \$4,027 for each dependent child, up from \$3,760.

Small business support

\$20,000 instant asset write-off

The Government will continue to improve cash flow and reduce compliance costs for small businesses by extending the \$20,000 instant asset write-off by 12 months until 30 June 2025.

Small businesses, with an aggregated annual turnover of less than \$10 million, will continue to 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 by 30 June 2025. The asset threshold applies 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 five years if they opt-out will continue to be suspended until 30 June 2025.

Supporting Small Businesses

The Government will provide \$41.7 million over four years from 2024–25 to support small businesses. Funding will:

- support the Payment Times Reporting Regulator to implement reforms recommended by the statutory review of the Payment Times Reporting Act 2020, including increased resourcing for the Regulator and upgrading the Regulator’s ICT infrastructure.
- extend the Small Business Debt Helpline and the NewAccess for Small Business Owners program to continue to provide financial counselling and mental health support for small business owners.
- implement the Government’s response to the Review of the Franchising Code of Conduct, including by investigating the feasibility of a licensing model and remaking and updating the Franchising Code of Conduct prior to its expiration in April 2025.
- assist the Australian Small Business and Family Enterprise Ombudsman to support unrepresented small businesses to navigate business-to-business disputes through alternative dispute resolution.

This measure builds on the 2023–24 MYEFO measure titled *Ensuring Small Businesses are Paid on Time*.

Social services

Freeze Social Security Deeming Rates

The Government will freeze social security deeming rates at their current levels for a further 12 months until 30 June 2025, to support Age Pensioners and other income support recipients who rely on income from deemed financial investments, as well as their payment, to manage cost of living pressures.

Other measures

Anti-Money Laundering and Counter-Terrorism Financing Reform

The Government will provide \$168.0 million over four years from 2024–25 to implement reforms to strengthen Australia’s Anti-Money Laundering and Counter-Terrorism Financing Act 2006, to enhance Australia’s ability to detect and disrupt illicit financing. Funding includes:

- \$160.8 million over two years from 2024–25 for the Australian Transaction Reports and Analysis Centre to expand its regulatory, intelligence and data capabilities and provide guidance to newly regulated entities.
- \$7.0 million over four years from 2024–25 for the Attorney-General’s Department to support the implementation of the legislative reforms through the provision of policy and legal advice and stakeholder consultation, and to deliver a program of anti-money laundering and counter-terrorism financing capacity building in the Pacific.

This measure builds on the 2023–24 Budget measure titled *Strengthening Australia’s Anti-Money Laundering Framework*.

Mental Health

The Government will provide \$888.1 million over 8 years from 2024–25 (and \$139.8 million per year ongoing) to respond to the Better Access evaluation and to strengthen Australia’s mental health and suicide prevention system. Funding includes:

- Establishment of a national low intensity digital mental health service that is free of charge and free of need for referral.
- Providing wrap around care for people with severe and/or complex needs in primary care settings, through design and delivery of mental health multidisciplinary services.

This measure builds on the 2023–24 MYEFO measure titled *Mental Health*.

Preventive Health

The Government will provide \$514.8 million over four years from 2024–25 to support preventive and other health initiatives. Funding includes:

- Ensuring the National Medical Stockpile can continue to respond to health emergencies and improve pandemic preparedness.
- Maintaining the National Critical Care and Trauma Response Centre which is Australia’s centre of excellence for health disaster response.
- Continuing support for the Good Sports Program, an alcohol management program for community sporting clubs, alcohol and other drugs treatment services in areas of identified need, and fetal alcohol spectrum disorder diagnostic and support services in remote and rural regions.

The Government will achieve savings of \$0.8 million in 2024–25 by ceasing COVID-19 epidemic situational assessment reports which are no longer required given COVID-19 is no longer declared as a Communicable Disease Incident of National Significance.

This measure builds on the 2023–24 Budget measure titled *Preventive Health Reform*.

Energy Bill Relief Fund – extension and expansion

The Government will provide \$3.5 billion over three years from 2023–24 to extend and expand the Energy Bill Relief Fund to provide a \$300 rebate to all Australian households and a \$325 rebate to eligible small businesses on 2024–25 bills to provide cost of living relief.

Further information?

Copies of Mr. Chalmers’ speech together with supporting Budget papers can be found online at www.budget.gov.au

Source:

- Budget 2024-25: Budget Strategy and Outlook, Budget Paper No 1
- Budget 2024-25: Budget Measures, Budget Paper No 2

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