

## 2023-24 FSC Budget Brief

### Headline budget figures

The Budget is forecast to be in a small surplus for the current FY22-23 year and in deficit over the forecast period, but the deficits are substantially smaller than previously forecast.

Year	2022-23 (actual)	2023-24	2024-25	2025-26	2026-27
Underlying cash balance (\$bn)	4.2	-13.9	-35.1	-36.6	-28.5
% of GDP	0.2	-0.5	-1.3	-1.3	-1.0

Since the October 2022 Budget, and before policy decisions, there has been a \$102 billion increase in revenue for the four years from 2023-24, and a \$2 billion reduction in payments, for a net improvement in the Budget position of \$104 billion over the four-year period. The net effect of policy decisions since the October 2022 Budget was a worsening of the Budget position by \$19.5 billion over four years (\$21.9bn in tax increases and \$41.4 in spending increases). By 2026-27 gross debt is forecast to be 36.5% of GDP in 2026-27 (\$1,067bn), and net debt 24.1% of GDP (\$703bn).

Other budget figures are below:

Year	2022-23 (actual)	2023-24	2024-25	2025-26	2026-27
Tax Receipts (\$bn)	588	616	614	648	681
% of GDP	23.1	23.9	23.3	23.3	23.3
Payments (\$bn)	631	682	706	738	764
% of GDP	24.8	26.5	26.8	26.6	26.1

### Headline economic figures and forecasts

In general, the Budget is forecasting a slower growing economy during this financial year and next financial year, with particularly weak growth in 2023-24 mainly due to the difficult global outlook, high inflation, rising interest rates and cost of living pressures.

Year	Real GDP	Employment	Unemployment	CPI inflation
	% growth	% growth	%	% growth
2022-23 (actual)	3.25	2.5	3.5	6.0
2023-24	1.5	1.0	4.25	3.25
2024-25	2.25	1.0	4.5	2.75
2025-26	2.75	1.75	4.5	2.5
2026-27	2.75	1.75	4.25	2.5

## **Cross portfolio**

### **Scams and Fraud**

The Budget announces \$86.5 million in additional funding over 4 years from 2023–24 to combat scams and online fraud including:

- \$58.0 million over 3 years from 2023-24 to establish the National Anti-Scam Centre within the ACCC to improve scam data sharing across government and the private sector and to establish public-private sector Fusion Cells to target specific scam issues.
- \$17.6 million over 4 years from 2023-24 (and \$4.4 million per year ongoing) for ASIC to identify and take down phishing websites and other websites which promote investment scams, to be cost recovered through levies under ASIC's industry funding model.
- \$10.9 million over 4 years from 2023-24 (and \$2.2 million per year ongoing) to the Australian Communications and Media Authority and the Department of Infrastructure, Transport, Regional Development, Communications and the Arts to establish and enforce an SMS sender ID registry to prevent scam imitation of industry brand names in message headers.

Privacy Protection and Enforcement – the Budget provides \$44.3 million in additional funding over 4 years from 2023-24 to the Office of the Australian Information Commissioner to take appropriate regulatory action, enhance its data and analytics capability, and support a standalone Privacy Commissioner

### **Anti-Money Laundering**

The Budget provides \$14.3 million over 4 years from 2023–24 to support policy and legislative reforms to harden Australia against illicit financing and evaluation of Australia's anti-money laundering framework.

### **Privacy**

The Budget provided \$45.2 million over 4 years from 2023–24 (and \$8.4 million per year ongoing) for stronger privacy protection and enforcement.

### **Digital ID**

The Budget provides \$26.9 million in 2023–24 to sustain and develop the next stage of the Digital ID program.

### **Cyber Security**

The Budget announces \$101.6 million in additional funding over 5 years from 2022–23 (and \$11.8 million per year ongoing) to support and uplift cyber security in Australia. Funding includes:

- \$46.5 million over 4 years from 2023–24 (and \$11.8 million per year ongoing) to establish the Coordinator for Cyber Security improve coordination and effectiveness of the Commonwealth's cyber security efforts.
- \$23.4 million over 3 years from 2023–24 to the Department of the Treasury for a small business cyber wardens program delivered by the Council of Small Business

Organisations Australia, to support small businesses to build in-house capability to protect against cyber threats.

- \$19.5 million in 2023–24 to continue work to improve the security of critical infrastructure assets and assist owners and operators to respond to significant cyber-attacks.
- \$12.2 million in 2023–24 to sustain cyber resilience of Commonwealth entities currently serviced by the Cyber Hubs pilot program and to continue assessment and certification of service providers used by the Commonwealth entities to host data.

The Budget states the cost of this measure will be partially met from within the existing resources of the Department of Home Affairs and also by redirecting funding provided to the Australian Taxation Office for Cyber Hub pilot activities.

### **National Net Zero Authority**

The Budget announces \$83.2 million in additional funding over 4 years from 2023-24 to establish a national Net Zero Authority. From 1 July 2023, an agency will be established within the Department of Prime Minister and Cabinet to lead the design and establishment of the Authority and perform preliminary functions pending its formal establishment.

### **Consumer Data Right**

The Budget announces \$88.8 million in additional funding to the Treasury over two years from 2023-24 to support the continued operation of the Consumer Data Right in the banking, energy and non-bank lending sectors, progress the design of action initiation and uplift cyber security.

### **Superannuation**

The Budget provides further details on the previously announced measure to amend the non-arm's length (NALI) provisions which apply to expenditure incurred by superannuation funds by:

- limiting income of self-managed superannuation funds and small Australian Prudential Regulation Authority (APRA) regulated funds that are taxable as NALI to twice the level of a general expense. Additionally, fund income taxable as NALI will exclude contributions;
- exempting large APRA regulated funds from the NALI provisions for both general and specific expenses of the fund; and
- exempting expenditure that occurred prior to the 2018-19 income year.

The Budget provides further details of the previously announced measure to require employers to pay their employees' Superannuation Guarantee (SG) entitlements on the same day that they pay salary and wages from 1 July 2026:

- The Budget states that it will consult with relevant stakeholders on the design of these changes, with the final design to be considered as part of the 2024-25 Budget.
- As part of this measure, the Government will provide \$40.2 million of funding to the ATO in 2023-24 to improve ATO's data matching capabilities and to increase enforcement for recovering unpaid superannuation. This funding will also fulfill the Government's election commitment to set public targets for the ATO on recovering

unpaid superannuation and the ATO will be required to report annually against these targets.

- The changes are estimated to increase receipts by \$835.0 million and decrease payments by \$243.1 million over the 4 years from 2023-24 primarily due to the bring forward of superannuation tax receipts on SG contributions.

The Budget also announced additional funding for the ATO to enforce SG compliance (see below in Section on Tax). Together with the increasing frequency of payment of the SG, the Budget estimates that this will increase superannuation fund tax receipts by \$1.2 billion over the four years from 2023-24 to 2026-27.

The Budget confirms details of the previously announced measure to reduce earnings tax concessions for individuals with a superannuation balance exceeding \$3 million:

- Interests in defined benefit schemes will have commensurate treatment applied.
- The \$3 million threshold will not be indexed over time.
- The Budget states that the measure is estimated to increase receipts by \$2.3 billion in the first full year of receipts collection of 2027-28.

The Budget announces \$5.0 in additional funding over 5 years from 2023-24 for a superannuation consumer advocate to improve members' outcomes. This measure will be offset by an increase in the Superannuation Supervisory Levy administered by the Australian Prudential Regulation Authority.

The Budget does not announce any changes to superannuation contribution thresholds or the Transfer Balance Cap (TBC), so indexation of these thresholds will continue unchanged.

The Budget states that since the October Budget, superannuation fund tax receipts have been revised down by \$3.9 billion in 2023-24, and \$6.5 billion over the 5 years from 2022-23 to 2026-27. The main driver of the fall is the weaker superannuation fund earnings and higher than expected refunds, partly offset by higher contributions due to the strong labour market.

## **Managed Investments**

### **Foreign Investment – Interfunding Exemption**

The Budget announces an exemption for passive or low-risk interfunding transactions from mandatory notification requirements and fees under the *Foreign Acquisitions and Takeovers Act 1975*. This will commence from the date of amendments to the legislation. The cost of this measure is \$20 million over 5 years from 2022-23.

- The Budget also confirms the already announced increase in foreign investment fees and penalties, which raise \$457 million over four years from 2022-23.

### **Sustainable Finance Agenda**

The Budget announces \$14.2 million in additional funding over 4 years from 2023–24 to support the Government's sustainable finance agenda, including:

- \$8.3 million over 4 years (and \$1.3 million per year ongoing) to establish a sovereign green bond program.

- \$4.3 million in 2023–24 to enhance ASIC’s surveillance and enforcement capabilities in combatting greenwashing by market participants and other sustainable finance misconduct.
- \$1.6 million in 2023–24 to co-fund the initial development by the Australian Sustainable Finance Institute of a sustainable finance taxonomy.

Funding recovered through levies under ASIC’s industry funding model. Partial funding held in the Contingency Reserve.

### **Specialist investment vehicles**

The Budget provides \$10.4 million over 4 years from 2023–24 (and \$3.0 million ongoing) to the Department of Finance to enhance the accountability and effectiveness of the Government’s use of specialist investment vehicles by establishing a comprehensive central oversight and governance function within Finance.

### **Nature Repair Market**

The Budget announces \$7.7 million in additional funding to the Department of Climate Change, Energy, the Environment and Water in 2023-24 to continue the development of a Nature Repair Market, including detailed rules for different types of projects.

### **Public Beneficial Ownership Register**

The Budget announces \$1.9 million in additional funding over two years to establish a public registry of beneficial ownership of companies and other legal vehicles, including trusts.

### **Significant Investor Visa**

The Government will increase Visa Application Charges (VACs) from 1 July 2023 by 6 percentage points for visa applications in addition to CPI, as well as an additional 40 percentage points for business innovation and investment visas.

### **Financial advice**

The budget does not contain any specific measures in relation to financial advice (see General Tax Section).

### **Taxation general**

- The Budget provides further details on the Government’s election commitment on **tax treatment of large multinational corporations** by implementing certain aspects of Pillar Two of the OECD/G20 Two-Pillar Solution:
  - A 15 per cent global minimum tax for large multinational enterprises with the Income Inclusion Rule applying to income years starting on or after 1 January 2024 and the Undertaxed Profits Rule applying to income years starting on or after 1 January 2025.
  - A 15 per cent domestic minimum tax applying to income years starting on or after 1 January 2024.

- The global minimum and domestic minimum tax will apply to large multinationals with annual global revenue of EUR750 million (Approximately \$1.2 billion) or more.
- This Budget estimates this measure to increase receipts by \$370.0 million and increase payments by \$111.0 million over the 4 years from 2023-24.
- The Budget announces \$94m of **additional funding for the ATO** over four years from 2023-24 to improve enforcement processes for timely payment of tax and superannuation liabilities. This measure is estimated to increase receipts by \$718.0 million and increase payments by \$275.4 million over the four years from 2023-24.
- The Budget provides further detail of the previously announced **tax treatment of off market share buybacks** that it will amend the start date from 19 December 2016 to 15 September 2022.
- **Clean building managed investment trust withholding tax concession** - The Budget announces that the clean building managed investment trust (MIT) withholding tax concession will be extended to data centres and warehouses that meet the relevant energy efficiency standard, where construction commences after Budget night. This measure will apply from 1 July 2025. The decrease for revenue of this measure has not been quantified.
- **Housing (Build-To-Rent Developments) managed investment trust withholding tax rate** – The Budget announces a new measure to reduce the final withholding tax rate on eligible fund payments from managed investment trust (MIT) investments from 30 per cent to 15 per cent for eligible new build-to-rent projects where construction commences after Budget night. The Budget estimates this will decrease receipts by \$30 million and increase payments by \$5 million over 5 years from 2022-23.
- **Expanding the general anti-avoidance rule in the income tax law** - The Government will expand the scope of the general anti-avoidance rule for income tax (Part IVA of the Income Tax Assessment Act 1936) so that it can apply to schemes that reduce tax paid in Australia by accessing a lower withholding tax rate on income paid to foreign residents and schemes that achieve an Australian income tax benefit, even where the dominant purpose was to reduce foreign income tax. This measure will apply after 1 July 2024. The increase in receipts for this measure is not quantified.
- The Budget announces an **exemption for eligible lump sum payments in arrears from the Medicare levy** from 1 July 2024.
- The Budget announces an **increase in the Medicare levy low-income thresholds for singles, families and seniors and pensioners** from 1 July 2023.
- The Budget announces \$89.6 million additional funding to the ATO and \$1.2 million to Treasury to extend the Personal Income Tax Compliance Program for two years from 1 July 2025 and expand its scope from 1 July 2023.
- The Budget announces \$588.8 million additional funding to the ATO over 4 years from 1 July 2023 to continue a range of activities that promote GST compliance. This measure is estimated to increase GST receipts by \$3.8 billion, and other tax receipts by \$3.8 billion, over the 5 years from 2022–23.

## Other announcements

### Additional funding for a Treasury Central Evaluation Function

The Budget announces \$10.0 million in additional funding over 4 years from 2023-24 (and \$2.1 to establish a central evaluation function within Treasury to provide leadership and improve evaluation capability across Government, including support to agencies and leading a small number of flagship evaluations each year.

### Small Business Support

The Budget announces additional support measures for small business owners:

- The Government will amend the tax law to set the GDP adjustment factor for pay as you go (PAYG) and GST instalments at 6 per cent for the 2023–24 income year, a reduction from 12 per cent under the statutory formula.
- The Government will temporarily increase the instant asset write-off threshold to \$20,000, from 1 July 2023 until 30 June 2024. Small businesses, with aggregated annual turnover of less than \$10 million, will be able to immediately deduct the full cost of eligible assets costing less than \$20,000 that are first used or install ready for use between 1 July 2023 and 30 June 2024. The \$20,000 threshold will apply 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. This measure is estimated to decrease receipts by \$290.0 million over the 5 years from 2022–23.
- Small and medium businesses, with aggregated annual turnover of less than \$50 million, will be able to deduct an additional 20 per cent of the cost of eligible depreciating assets that support electrification and more efficient use of energy. Up to \$100,000 of total expenditure will be eligible for the Small Business Energy Incentive, with the maximum bonus deduction being \$20,000. This measure is estimated to decrease receipts by \$310.0 million and increase payments by \$4.2 million over the 5 years from 2022–23.

### Social Housing

The government has announced the expansion for eligibility of the Home Guarantee Scheme to:

- allow any 2 eligible people to be joint applicants for a guarantee beyond spouses and de facto partners.
- allow non-first home buyers who have not owned a property in Australia for at least 10 years to access the First Home Guarantee and Regional Home Guarantee.
- allow a single legal guardian of children to access the Family Home Guarantee.
- allow Australian permanent residents to access the Scheme.

Other measures include:

- Increasing the Government-guaranteed liability cap of the National Housing and Finance Investment Corporation (NHFIC) by \$2.0 billion to \$7.5 billion.



- Amending NHFIC's Investment Mandate to require NHFIC to take reasonable steps to allocate a minimum of 1,200 homes to be delivered in each state and territory within 5 years of the Housing Australia Future Fund commencing operation.
- Providing \$2.7 million in 2023–24 to the Treasury to support delivery of priority housing measures.
- Enabling 3 additional members to be appointed to the National Housing Supply and Affordability Council.

## **Social security**

### **Jobs and Skills Summit – incentivise pensioners into the workforce – six months extension**

The Government will provide \$3.7 million in 2023–24 to extend the measure to provide age and veterans pensioners a once-off credit of \$4,000 to their Work Bonus income bank and temporarily increase the maximum income bank until 31 December 2023.

### **Parenting Payment (Single) – improved support for single parent**

The Government will provide \$1.9 billion over 5 years from 2022–23 (and \$0.5 billion per year ongoing) to extend eligibility for Parenting Payment (Single) to support single principal carers with a youngest child under 14 years of age, increasing from 8 years of age.

### **Increase to Working Age Payments**

The Government will provide \$4.9 billion over 5 years from 2022–23 (with \$1.3 billion per year ongoing) to increase support for people receiving working age payments including the JobSeeker Payment, including:

- increasing the base rate of working age and student payments by \$40 per fortnight commencing on 20 September 2023
- extend eligibility for the existing higher single JobSeeker Payment rate for recipients aged 60 years and over to recipients aged 55 years and over who are on the payment for 9 or more continuous months.

### **Energy Price Relief Plan**

The Government will provide \$1.5 billion over 5 years from 2022–23 (and \$2.7 million per year ongoing) to reduce the impact of rising energy prices by providing targeted energy bill relief and progressing gas market reforms. This includes

- \$1.5 billion over two years to establish the Energy Bill Relief Fund to support targeted energy bill relief to eligible households and small business customers, including pensioners, Commonwealth Seniors Health Card holders, Family Tax Benefit A and B recipients and small business customers of electricity retailers.
- \$14.7 million over 5 years (and \$2.7 million per year ongoing) to the ACCC to administer and enforce compliance with a temporary cap on the price of gas and to develop and implement a mandatory gas code of conduct.
- \$9.5 million over 3 years from 2022–23 for the Australian Energy Regulator to monitor coal and gas markets across the National Electricity Market.
- Funding for the New South Wales and Queensland governments to implement the price cap on coal used for electricity generation.



## **Life insurance**

The budget does not contain any specific measures in relation to life insurance.