Federal Budget 2024–25 Report

The Tax Institute

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Preamble

Todd Want, CTA
President,
The Tax Institute

"In a Budget where the tax system appeared to be an afterthought, there was a lack of meaningful movement on a host of tax issues. This Budget hasn't progressed the tax reform conversation and missed an important opportunity to actively acknowledge the tax system's role in our overall economic future."

Scott Treatt, CTA
Chief Executive Officer,
The Tax Institute

A budget for the future, but the tax system has been left behind

The Federal Treasurer, the Hon Dr Jim Chalmers MP, has delivered another cost-of-living budget, and a budget for the future. The challenging economic environment is forecast to continue into 2024–25, with sticky inflation and the flow-on effects of instability around the world. While interest rates have somewhat stabilised, their trajectory to the end of the calendar year remains uncertain. Again, and appropriately so, a key objective remains easing ongoing cost-of-living pressures for all Australians, with what appears to be a renewed focus on investing in a better future.

The Treasurer has flagged the Government's five key priorities in his budget speech: alleviating cost-of-living pressures; increasing housing supply; investing in Australian skills and industry; strengthening Medicare and public health services; and broadening opportunities for Australians. These priorities are intended to be underpinned by responsible economic management, which is expected to play a part in combatting inflation.

It is peculiar, though, that something that should be a fundamental consideration in these objectives – tax – does not appear to have been taken into account in attempting to achieve them. It seems that the tax system has been left behind. Very few tax measures are featured in this budget, with the majority directed to increasing compliance and integrity in the system. Extensions of ATO Taskforce funding fall into this category. While it is crucial that the ATO is provided with sufficient resources, The Tax Institute has long advocated for increased *permanent* funding for the ATO, and especially for certain areas within the agency that develop guidance and practical support for taxpayers. This is, in our view, just as crucial as taskforce-based funding that is contingent on increased collections by the ATO, and could go a long way to reduce compliance costs for Australians and businesses.

The Supporting Small Business measures are likely to be welcomed by struggling small businesses. However, they may be perceived as not going far enough, given the numbers involved and particularly since they do not contemplate any direct relief or support in relation to tax, which remains a key pressure point for many small businesses. A further extension of the instant asset write-off measure is welcome, although it remains a temporary measure in the form of near-annual announcements since 2015. It should instead be a permanent feature of the system. Likewise, the extension of the Energy Bill Relief Fund measure is welcome and will go some way to support struggling individuals and small businesses. However, again, this is only a temporary solution. The Tax Institute continues to advocate for permanent solutions to long-term problems.

With one exception, no consideration was given to the long list of announced but unenacted measures (**ABUMs**) in this budget, nor was there any indication of any intention towards better system maintenance to prevent the list from becoming unmanageable in the future. Taxpayers and their advisers remain in the dark about dozens of ABUMs with no indication of a light at the end of the tunnel. Continued uncertainty inhibits decision-making and growth. Further, it is counterproductive to economic expansion and prosperity, and inconsistent with the key Budget priorities.

Given where we are in the political cycle, it is unsurprising, but nevertheless disappointing, that holistic tax reform was not on the agenda. In fact, the only references to tax in the Treasurer's speech were to already legislated amendments to the Stage 3 personal income tax cuts, and a brief reference to a Hydrogen Production Tax Incentive and Critical Minerals Production Tax Incentive that will apply well into the future, from 2027–28 to 2040–41.

Since it was elected, much of the Government's attention in the tax sphere has been directed to measures that improve multinational tax integrity. However, barely a mention was made in the Budget of multinational tax measures. Indeed, the most significant announcement relating to large corporates in this budget was a brief mention that the measure denying deductions for payments relating to intangibles held in low- or no-tax jurisdictions will no longer proceed, given that the integrity concerns are being addressed through the implementation of the OECD's Pillar Two rules. This was not unexpected in light of stakeholder feedback during consultation on that measure and the series of events that have unfolded since then. However, a new penalty will be introduced with effect from 1 July 2026 for significant global entities (**SGEs**) that mischaracterise or undervalue royalty payments to which royalty withholding tax would otherwise apply. We would expect the introduction of the new measure will be preceded by meaningful stakeholder consultation.

In a similar vein, our members should not infer from this Budget's fleeting mentions of superannuation that changes in this area have gone away. Substantial reforms to superannuation are still in progress to limit tax concessions and prepare for Payday super.

The next Federal Budget is likely to be a pre-election budget, so we would expect to see more opportunities to have a broader discussion about tax reform. In any case, whether any such reforms will be holistic and driven by courageous political will, or mere tinkering at the edges, remains to be seen. Only if the former path is chosen over the latter will we truly build a better future for all Australians.

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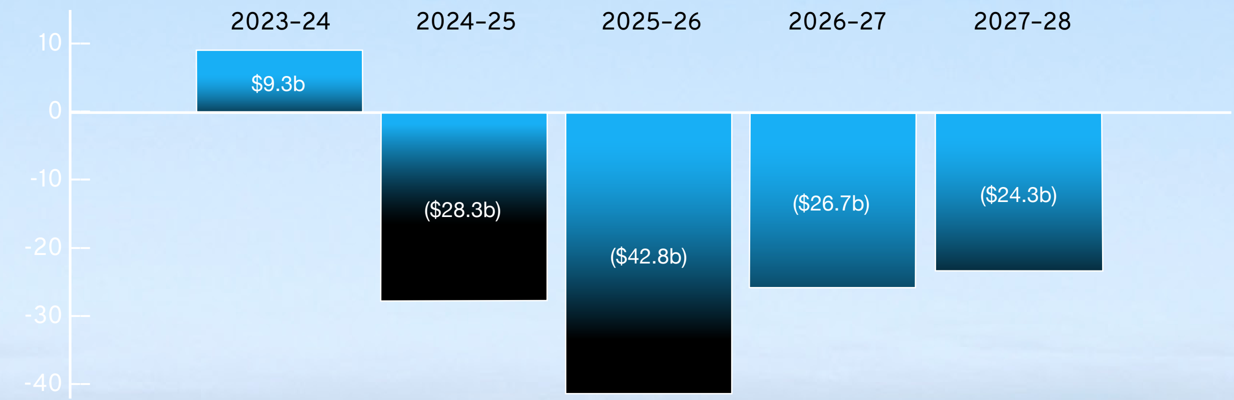
The 2024–25 Financial Outlook

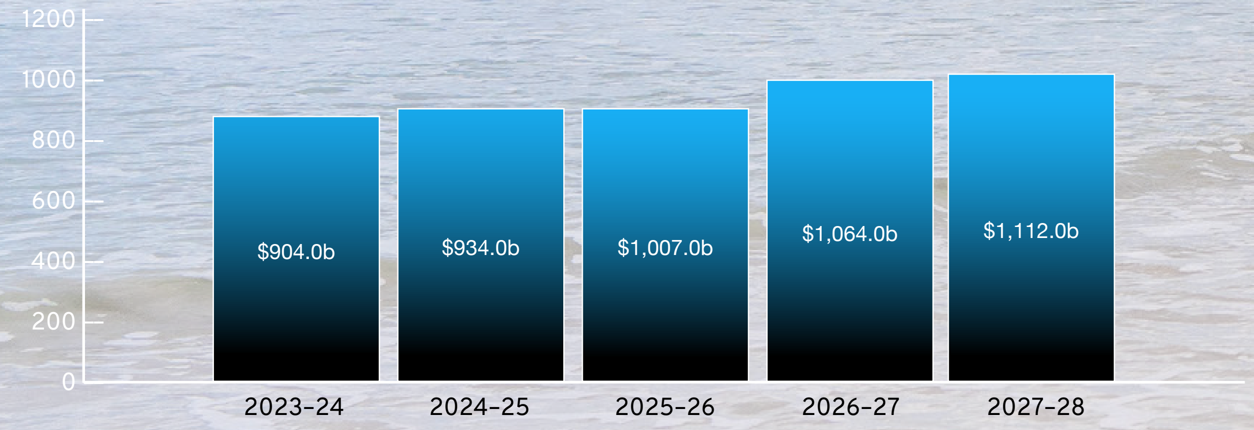
Underlying Cash Balance



Key Tax Measures

- Personal Income Tax – Cost of Living Tax Cuts (already legislated)
- Discontinue the *Denying deductions for payments relating to intangibles held in low- or no-tax jurisdictions* measure as addressed through Pillar Two but introduce a new penalty provision for certain entities that mischaracterise or undervalue royalty payments to which withholding tax would otherwise apply
- Allow the Commissioner of Taxation discretion not to offset old tax debts with refunds for individuals, small businesses and not-for-profits
- Small Business support:
  – $20k instant asset write-off extended
  – Energy bill relief extended

Gross Debt



Key Economic Data

Real GDP

2023-24	2024-25	2025-26	2026-27	2027-28
1.75%	2.00%	2.25%	2.50%	2.75%

Inflation (CPI)

2023-24	2024-25	2025-26	2026-27	2027-28
3.50%	2.75%	2.75%	2.50%	2.50%

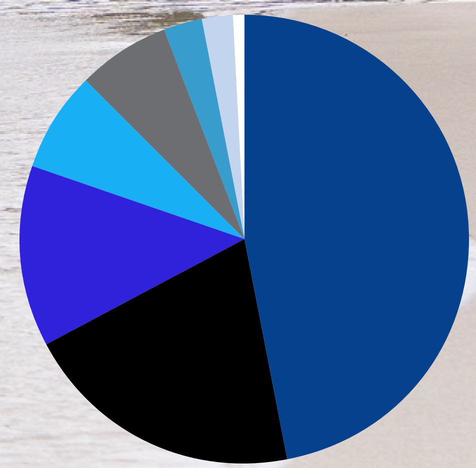
Unemployment

2023-24	2024-25	2025-26	2026-27	2027-28
4.00%	4.50%	4.50%	4.50%	4.25%

Wage Growth (WPI)

2023-24	2024-25	2025-26	2026-27	2027-28
4.00%	3.25%	3.25%	3.50%	3.50%

Government Revenue Sources



2024-25	
Individual income tax	47.17%
Company and resource rent taxes	20.21%
GST	12.94%
Non-tax revenue	7.38%
Excise and customs duty	6.65%
Superannuation taxes	2.78%
Other taxes	2.29%
FBT	0.58%

Investments

General public service: $32.4b

Defence: $48.0b

Education: $53.0b

Health: $112.7b

Social Security and Welfare: $266.7b

Start Dates at a Glance

Announced Measure	Start Date
Personal Tax & Superannuation	
Increasing the Medicare levy low-income thresholds	1 July 2023
Tertiary education system reforms – cutting student debt	1 June 2023
Personal income tax – Cost of living tax cuts	1 July 2024
Commonwealth Government-funded Paid Parental Leave – enhancement	1 July 2025
Tax Issues for SMEs	
Energy Bill Relief Fund – extension and expansion	1 July 2023
Small business support – $20,000 instant asset write-off	1 July 2024
Supporting Small Businesses	1 July 2024
Corporate & International Tax Issues	
Amending Australia's interest limitation (thin capitalisation) rules – exempt Australian plantation forestry entities from the new earnings-based rules	1 July 2023
Future Made in Australia – Making Australia a Renewable Energy Superpower	1 July 2027

Announced Measure	Start Date
Tax Administration	
Strengthening Tax Compliance – ATO Counter Fraud Strategy	1 July 2024
Strengthening the foreign resident capital gains tax regime	1 July 2025
Strengthening Tax Compliance – Extending the Shadow Economy Compliance Program	1 July 2026
Strengthening Tax Compliance – Extending the Tax Avoidance Taskforce	1 July 2026
Strengthening Tax Compliance – Extending the Personal Income Tax Compliance Program	1 July 2027
Tax Integrity – expanding the general anti-avoidance rule in the income tax law	Income years commencing on or after the day the enabling legislation receives Royal Assent
Other Measures	
Establishment of the Administrative Review Tribunal	1 July 2023
Treasury portfolio – additional resourcing	1 July 2023
Digital ID	1 July 2024
Child care subsidy reform	1 July 2024
Amendments to existing measures	Various
Updates to the list of specifically listed deductible gift recipients	Various

Personal Tax & Superannuation

Personal Income Tax — Cost of Living Tax Cuts

The Stage 3 personal income tax cuts for all Australian taxpayers have been legislated with effect from 1 July 2024.

Under the tax cuts, which are contained in the *Treasury Laws Amendment (Cost of Living Tax Cuts) Act 2024*, from the 2024–25 income year onwards:

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

Personal Income Tax — Cost of Living — increasing the Medicare levy low-income thresholds

The Government announced it 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 accounts for recent annual CPI outcomes and ensures that low income individuals continue to be exempt from paying the Medicare levy or pay a reduced levy rate.

The increased thresholds are set out in the following table.

*Schedule 2 to the *Treasury Laws Amendment (Cost of Living Tax Cuts) Act 2024*.

Medicare levy low-income thresholds

Income threshold	2022–23	2023–24
Singles	$24,276	$26,000
Families	$40,939	$43,846
Single seniors and pensioners	$38,365	$41,089
Family threshold for seniors and pensioners	$53,406	$57,198
Increase in the threshold for each dependent child or student	$3,760	$4,027

Australian Universities Accord – tertiary education system reforms

The Government announced that it will provide $1.1 billion over five years from 2023–24 and an additional $2.7 billion from 2028–29 to 2034–35 for the first stage of reforms to Australia's tertiary education system in response to the *Australian University Accord Final Report*.

The funding includes $239.7 million over five years from 2023–24 and an additional $250.5 million from 2028–29 to 2034–35 to limit the indexation of the Higher Education Loan Program (**HELP**) and other student loans.

Reforming the formula used to index HELP student debts is expected to reduce the debt of more than three million Australians. Under the proposed measure, the HELP debt indexation formula will be reformed so that the indexation rate would be the lower of the consumer price index (**CPI**) or the wage price index (**WPI**) in a given year. This is intended to replace the current indexation formula that is based on CPI and will apply to all HELP, VET Student Loans, Australian Apprenticeship Support Loans and other student support loan accounts that existed on 1 June 2023.

The proposed measure is expected to wipe $3 billion in student debt as it is proposed to be backdated and applied from 1 June 2023 onwards. This means that the indexation rate of 7.1% applied on 1 June 2023 would be reduced to 3.2% and the indexation rate to be applied on 1 June 2024 of 4.7% would be reduced to 4%.

An individual with an average HELP debt of $26,500 should see around $1,200 wiped from their outstanding HELP loans under the proposed measure.

This measure implements Recommendation 16(d) of the Australian Universities Accord findings and ensures that the growth in student debt does not outpace wages in the future.

Commonwealth Government-funded Paid Parental Leave — enhancement

The Government announced it will provide $1.1 billion over five years from 2023–24 (and $600 million per year ongoing) to strengthen Australia's government-funded Paid Parental Leave (**PPL**) scheme for births and adoptions on or after 1 July 2025. Eligible parents will receive an additional payment based on the Superannuation Guarantee (12% of their PPL payments) as a contribution to their superannuation fund.

Additional funding includes:

- $10 million over two years from 2024–25 to provide additional support for small business employers in administering PPL; and
- $1.4 million over two years from 2023–24 to update communication products and documents for potential PPL recipients.

This measure builds on the October Federal Budget 2022–23 measure *Boosting Parental Leave to Enhance Economic Security, Support and Flexibility for Australia's Families* and the Mid-Year Economic and Fiscal Outlook (**MYEFO**) 2023–24 measure *Paid Parental Leave Scheme – expansion*. It 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.

Tax Issues for SMEs

Small Business Support — $20,000 instant asset write-off

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

Small businesses with an aggregated turnover of less than $10 million will be able to continue to immediately deduct the full cost of eligible depreciating 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% in the first income year, and 30% in each income year thereafter.

Temporary increase in the IAWO threshold for 2023–24

The Government announced as part of the Federal Budget 2023–24 that it would temporarily increase the IAWO to $20,000 from 1 July 2023 to 30 June 2024, for:

- eligible assets that are first used, or installed ready for use, by 30 June 2024; and
- entities with an aggregated turnover of less than $10 million.

Schedule 1 to the Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023, which proposes to give effect to this announcement, was amended in the Senate on 27 March 2024 to increase, for the 2023–24 income year only:

- the IAWO threshold from $20,000 to $30,000; and
- the aggregated turnover threshold from $10 million to $50 million.

Supporting Small Businesses

The Government announced it will provide $41.7 million over four years from 2024–25 to support small businesses. The funding includes:

- $25.3 million over four years from 2024–25 for the Payment Times Reporting Regulator to implement reforms recommended by the statutory review of the *Payment Times Reporting Act 2020*;
- $10.8 million in funding over two years from 2024–25 to extend the Small Business Debt Helpline and the New Access for Small Business Owners program so that they can continue to provide financial counselling and mental health support for small business owners;
- $3 million over two years from 2024–25 to 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 before it expires in April 2025;
- $2.6 million over four years from 2024–25 (and $700,000 per year ongoing) for 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 MYEFO 2023–24 measure *Ensuring Small Businesses are Paid on Time*.

Energy Bill Relief Fund – extension and expansion

The Government announced it will provide a $300 rebate to all Australian households, and a $325 rebate to eligible small businesses, on 2024–25 bills. The measure will cost $3.5 billion over three years from 2023–24.

The measure partially extends the *Energy Price Relief Plan* measure announced in the Federal Budget 2023–24 which, among other measures, provided funding for 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).

Corporate & International Tax Issues

Denying deductions for payments relating to intangibles held in low- or no-tax jurisdictions

The Government announced it will not proceed with the *Denying deductions for payments relating to intangibles held in low- or no-tax jurisdictions* measure that was announced as part of the October Federal Budget 2022–23. The integrity measure will now be addressed through the Global Minimum Tax and Domestic Minimum Tax (part of Pillar Two) being implemented by the Government.

The Government will also introduce a new provision from 1 July 2026 that will apply a penalty to taxpayers who are part of a group with more than $1 billion in global turnover annually (SGEs) that are found to have mischaracterised or undervalued royalty payments, to which royalty withholding tax would otherwise apply.

Multinational Tax Integrity Package – amending Australia's interest limitation (thin capitalisation) rules

The Government announced it has amended the *Multinational Tax Integrity Package – amending Australia's interest limitation (thin capitalisation) rules* measure announced as part of the Federal Budget 2022–23 to exempt Australian plantation forestry entities from the new earnings-based rules.

As a result, these entities will be allowed to continue to apply the former asset-based thin capitalisation rules alongside authorised deposit-taking institutions.

The details of the new thin capitalisation regime are contained in the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share—Integrity and Transparency) Act 2024*. The new rules will apply to non-exempted entities from income years beginning on or after 1 July 2023.

However, the debt deduction creation rules, contained in Subdivision 820-EAA of the *Income Tax Assessment Act 1997* (**ITAA 1997**), will apply to income years starting on or after 1 July 2024.

Future Made in Australia – Making Australia a Renewable Energy Superpower

The Government announced it will provide an estimated $19.7 billion over 10 years from 2024–25 to accelerate investment in Future Made in Australia priority industries. Priority industries include the renewable energy sector, such as investment in renewable hydrogen, green metals, low carbon liquid fuels, refining and processing of critical minerals, and manufacturing of clean energy technologies, including in solar and battery supply chains.

As part of the funding, the Government proposed to introduce, from 2027–28 to 2040–41:

- a Critical Minerals Production Tax Incentive to support downstream refining and processing of Australia's 31 critical minerals to improve supply chain resilience (estimated to cost $7.0 billion over 11 years from 2023–24, and an average of $1.5 billion per year from 2034–35 to 2040–41); and
- a Hydrogen Production Tax Incentive to producers of renewable hydrogen to support the growth of a competitive hydrogen industry and Australia's decarbonisation (estimated to cost $6.7 billion over 10 years from 2024–25, and an average of $1.1 billion per year from 2034–35 to 2040–41). This measure will provide a $2 incentive per kilogram of renewable hydrogen produced for up to 10 years per project between 2027–28 and 2039–40 for projects that reach final investment decisions by 2030.

The details of these programs will be subject to consultation, alongside proposals to provide further incentives to support the efficient production of green metals and low-carbon liquid fuels.

Tax Administration

Strengthening the foreign resident capital gains tax regime

The Government will strengthen the foreign resident capital gains tax (**CGT**) regime to ensure that foreign residents contribute their fair share of tax in Australia and to provide greater certainty on the operation of the rules.

These changes will apply to CGT events happening on or after 1 July 2025 to:

- clarify and expand the range of assets on which foreign residents are subject to CGT;
- modify the principal asset test from a point-in-time to a 365-day testing period; and
- require foreign residents disposing of shares or other membership interests worth more than $20 million to notify the ATO before the transaction is executed.

This measure aims to enable Australia to tax foreign residents on both direct and indirect asset sales related to Australian land, aligning it more closely with the tax treatment of Australian residents.

The introduction of the ATO notification process is expected to enhance oversight and compliance with the foreign resident CGT withholding rules, particularly for vendors who have self-assessed that their sale is not taxable real property. Additionally, these reforms will bring Australia's tax law for capital gains made by foreign residents in line with OECD standards and international best practice.

The Government will consult on the implementation details of this measure.

Commissioner's discretion not to use taxpayer refunds to offset old tax debts

The Government announced it will amend the legislation to provide the Commissioner of Taxation (**Commissioner**) with a discretion to not use a taxpayer's refund to offset old tax debts, where the Commissioner had put that old tax debt on hold prior to 1 January 2017. The discretion will apply to individuals, small businesses and not-for-profits.

Currently, the Commissioner does not have a legislative power to put these debts on hold. However, the proposed amendment is consistent with the Commissioner's current administrative approach.

Tax Integrity – expanding the general anti-avoidance rule in the income tax law

The Government announced it will defer the start date of the *Tax Integrity – expanding the general anti-avoidance rule in the income tax law* measure announced as part of the Federal Budget 2023–24. The measure will be deferred to apply to income years commencing on or after the day the enabling legislation receives Royal Assent, regardless of whether the scheme was entered into before that date.

The measure was originally slated to start from income years commencing on or after 1 July 2024. It will expand the scope of the general anti-avoidance provisions for income tax contained in Part IVA of the *Income Tax Assessment Act 1936* (**ITAA 1936**) so they apply to schemes that:

- reduce tax paid in Australia by accessing a lower withholding tax rate on income paid to foreign residents; or
- achieve an Australian income tax benefit, even where the dominant purpose was to reduce foreign income tax.

Strengthening Tax Compliance – extending the Personal Income Tax Compliance Program

The Government announced that it will extend the ATO Personal Income Tax Compliance Program for one year from 1 July 2027.

This extension is expected to enable the ATO to deliver a combination of proactive, preventive, and corrective activities in key areas of non-compliance, including overclaiming of deductions, incorrect income reporting, and inappropriate tax agent influence.

This will enable the ATO to continue its focus on emerging risks to the tax system, like deductions relating to short-term rental properties.

Strengthening Tax Compliance – Australian Taxation Office Counter Fraud Strategy

The Government will provide $187 million over four years from 1 July 2024 to the ATO to enhance its capabilities to detect, prevent, and mitigate fraud against the tax and superannuation systems.

This funding includes:

- $78.7 million for information and communications technology upgrades to enable the ATO to identify and block suspicious activity in real time;
- $83.5 million for a new compliance taskforce to recover lost revenue and intervene when attempts to obtain fraudulent refunds are made; and
- $24.8 million towards improvements in the ATO's counter-fraud activities management and governance, including improving how the ATO assists individuals harmed by fraud.

The Government will strengthen the ATO's ability to combat fraud by extending the time the ATO has to notify a taxpayer if it intends to retain a Business Activity Statement (**BAS**) refund for further investigation. The ATO's mandatory notification period for BAS refund retention will be increased from 14 days to 30 days, aligning it with non-BAS refund time limits.

The extended period will strengthen the ATO's ability to combat fraud during peak fraud events like the one that triggered Operation Protego. Legitimate refunds are expected to be largely unaffected. Any legitimate refunds retained for more than 14 days would result in the ATO paying interest to the taxpayer (as is currently the case). The ATO will publish BAS processing times online.

This will have effect from the start of the first financial year after Royal Assent of the enabling legislation.

Strengthening Tax Compliance – extending the Shadow Economy Compliance Program

The Government has announced that it will extend the ATO Shadow Economy Compliance Program for two years from 1 July 2026.

The extension of the Shadow Economy Compliance Program is expected to enable the ATO to further reduce shadow economy activity, thereby safeguarding revenue and deterring non-compliant businesses from gaining an unfair advantage.

Strengthening Tax Compliance – extending the Tax Avoidance Taskforce

The Government has announced that it will extend the ATO Tax Avoidance Taskforce for two years from 1 July 2026.

This extension ensures the ATO continues to maintain sufficient resources to pursue key tax avoidance risks, with a focus on multinationals, large public and private businesses, and high-wealth individuals.

Other Measures

Amending measures announced by the former Government

The Government announced amendments to certain existing measures. The Government will:

- make minor amendments to Treasury portfolio legislation that clarify the law to ensure it operates in accordance with the policy intent and make minor policy changes to improve administrative outcomes. Exposure draft legislation that contains further details about the proposed changes was released for consultation (the consultation ended on 12 February 2024);
- make minor amendments to delay the start date of aspects of measures that were announced as part of the Federal Budget 2022–23:
  - components that streamline licence application and renewal requirements, which will now commence on the later of 1 July 2024 (current start date) or the day following Royal Assent of the enabling legislation (with the requirement for the ATO to publish on its website a public register of excise licences and excise equivalent warehouse licences applying from 30 days following commencement of legislation); and
  - the proposed removal of regulatory barriers applying to bunker fuels for commercial shipping industries, which is now proposed to apply from 1 January 2025, instead of 1 July 2024;
- extend refunds of indirect tax (including GST, fuel and alcohol taxes) under the Indirect Tax Concession Scheme (**ITCS**). In particular:
  - the Square Kilometre Array Observatory (SKAO) will have ITCS access upgraded for additional concessions to be claimed for the purchase of vehicles for personal use by SKAO officials, or a member of their family;
  - additional concessions for commercial rent will be formalised for existing ITCS packages for Bangladesh, Costa Rica, El Salvador and the Taipei Economic and Cultural Office;
  - construction and renovation concessions will be formalised for the existing ITCS package for the Netherlands; and
  - concessions for both commercial rent and construction and renovation will be formalised for the existing ITCS package for Pacific Trade Invest;
- provide income tax exemptions to World Rugby and/or related entities for income derived in relation to the men's Rugby World Cup 2027 and women's Rugby World Cup 2029 (**RWC** events). The exemptions will apply to income derived in relation to the RWC events for the 2023–24 to 2030–31 income years (inclusive). The Government will also provide an exemption from interest, dividend and royalty withholding tax liabilities arising from payments relating to RWC events; and
- decrease the marketing component of the agricultural levy and charge on sweet potatoes from 1.0% to nil. This will reduce the overall levy rate on sweet potatoes from 1.5% to 0.5%. The changes are proposed to apply from 1 July 2024.

The Government also announced that it would no longer proceed with the *Black Economy – Strengthening the Australian Business Number system* measure announced by the former Government as part of the Federal Budget 2019–20. This measure had proposed to require ABN holders:

- with an income tax return obligation, to lodge their income tax return from 1 July 2021; and
- to confirm the accuracy of their details on the Australian Business Register annually from 1 July 2022.

Under the previous announcement, if ABN holders did not meet these requirements, they would not have been eligible to retain their ABN. The Government has announced that these integrity issues are being addressed through enhanced administrative processes implemented by the ATO.

Digital ID

The Government has allocated $288.1 million over four years from 2024–25 to support the initial implementation of the Digital ID system and to help more Australians realise its economic and privacy benefits.

This funding includes specific allocations to various government agencies, including $155.6 million over two years from 2024–25 to the ATO to continue operating and improving the Digital ID, myGovID and the system that supports authorised access to a range of government business services.

The funding also includes $23.4 million over two years from 2024–25 to the ATO and other government agencies to pilot the use of government digital wallets and verifiable credentials.

This measure builds on the MYEFO 2023–24 measure *Digital ID*. The Government will consider future requirements for the program informed by the passage of legislation, ongoing implementation of the system including progression of the phasing, and consideration of the infrastructure and regulatory roles in the system.

Establishment of the Administrative Review Tribunal

The Government announced it will provide $1 billion over five years from 2023–24 to:

- establish and support the sustainable operation of the new Administrative Review Tribunal (**ART**), replacing the Administrative Appeals Tribunal (**AAT**); and
- address court backlogs associated with high numbers of applications for judicial review of migration decisions.

Funding of $210.8 million per year will be provided ongoing from 2028–29 and an additional $194.2 million from 2028–29 to 2035–36 to support the ART.

Funding for the commencement of the ART includes:

- $854.3 million over four years from 2024–25 (and $208.8 million per year ongoing) for a capped, flexible demand-driven funding model for the ART, enabling it to finalise 100% of case lodgments each year, including improved regional accessibility and piloting First Nations Liaison Officer and user experience and accessibility programs; and
- $75.1 million over five years from 2023–24 (and $2 million per year ongoing) to support agencies with the transition from the AAT to the ART.

The Government will also provide additional funding for migration matters in the AAT and federal courts.

This measure builds on the Federal Budget 2023–24 measures *Institutional Reform to Australia's System of Federal Administrative Review and Continuation of Immigration Assessment Authority*, and the MYEFO 2023–24 measure *Migration System Integrity*.

Treasury Portfolio – additional resourcing

The Government announced it will provide $136.9 million over five years from 2023–24 (and $20.2 million per year ongoing) to support the delivery of Government priorities in the Treasury portfolio. This includes:

- $79.7 million over four years from 2024–25 (and $9.9 million per year ongoing) to provide additional capability to the Treasury to meet government priorities, including consultation with the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, and to the Inspector-General of Taxation and Taxation Ombudsman to support the performance of their functions;
- $41.7 million over four years from 2024–25 (and $9.6 million per year ongoing) to the Treasury, the Australian Securities and Investments Commission (**ASIC**) and the Attorney-General's Department to regulate and support new beneficial ownership transparency requirements for Australian companies and other entities;
- $2.7 million over four years from 2024–25 (and $700,000 per year ongoing) to support the SuperStream Gateway Network Governance Body 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 ATO;
- $2.9 million in 2024–25 to review the Australian Small Business and Family Enterprise Ombudsman, the Food and Grocery Code of Conduct, and the Tax and Corporate Whistleblower Protection Framework, as required by legislation; and
- $9.9 million to the Australian Competition and Consumer Commission (**ACCC**) and ASIC for various other functions.

Child Care Subsidy reform — further measures for strong and sustainable foundations

The Government announced it will achieve net savings of $410.7 million over four years from 2024–25 through additional activities to strengthen the payment and accuracy of the *Child Care Subsidy* program. Funding will be provided to strengthen fraud and non-compliance activities, mainly targeted at child care providers.

This includes $84.2 million over four years from 2024–25 (and $18.4 million ongoing) to the Department of Education to increase audits of providers in the child care sector, and $4.8 million over four years from 2024–25 to the ATO to ensure satisfactory engagement with the tax system around fitness and propriety requirements of child care providers.

Philanthropy — updates to the list of specifically listed deductible gift recipients

The Government announced it will amend the tax law to update the list of organisations that are specifically listed as deductible gift recipients (**DGRs**) to add certain organisations, and to remove several organisations that are currently specifically listed DGRs.

Further, the Government will remake the Australian Charities and Not-for-profits Commission (Consequential and Transitional) Regulations 2016 with an extension of the current charity transitional reporting arrangement for five years.

Our contributors

Todd Want, CTA
President

Scott Treatt, CTA
Chief Executive Officer

Robyn Jacobson, CTA
Senior Advocate

Julie Abdalla, FTI
Senior Counsel – Tax & Legal

Abhishek Shekhawat, FTI
Associate

Sumitha Krishnan, FTI
Associate

Zoe-Marie Beesley, FTI
Tax Policy Assistant

Jessica Capalnean
Tax Policy Research Assistant

The Tax Institute

L37, 100 Miller Street, North Sydney NSW 2060

Tel 02 8223 0000

taxinstitute.com.au