The SMSF Association's 2024-25 Federal Budget Summary

A Budget focused on easing costs of living pressures with 'no surprises' for the SMSF sector.

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Overview

As expected, the 2024-25 Federal Budget has a strong emphasis on easing cost of living pressures.

To that end, in addition to the previously legislated personal income tax cuts, the Government notably announced an initiative to deliver energy bill relief for all Australian households and certain small businesses.

In that context, while perhaps disappointing, it's not entirely surprising that from an SMSF perspective there was an absence of any notable new announcements likely to have a direct impact on the SMSF landscape.

In particular, the following initiatives were not mentioned in the Budget papers:

- An amnesty for legacy pension commutations,
- Non-arm's length expenditure – i.e. to address 'Specific' expenditure nor a capital gains tax technical issue,
- The deductibility of financial advice fees from a member's interest in an SMSF, or
- Various opportunities for 'Red Tape' reduction and practical opportunities for the simplification of the superannuation system.

In the absence of any notable SMSF-specific policy announcements, the following is a brief summary of announcements that may be relevant to practitioners in the SMSF sector.

Please note, aside from the previously legislated tax cuts, the following announcements are not yet law.

Superannuation on Paid Parental Leave (PPL)

The Government will pay superannuation on Government-funded Paid Parental Leave (PPL) for births and adoptions on or after 1 July 2025.

Eligible parents will receive an additional payment based on the Superannuation Guarantee rate (or 12% of their PPL payments), as a contribution to their superannuation fund. Payments will be made annually to individuals' super funds from 1 July 2026.

This will reduce the impact of career breaks to care for young children on superannuation balances and support parents to achieve a more dignified retirement.

SMSF Association view:

The SMSF Association supports this measure which is designed to reduce the impact of parental leave on retirement incomes and help close a gender gap that is still a pronounced issue in the superannuation sector.

The SMSF sector leads the way when it comes to closing the superannuation balance gender gap, with the balance gap in SMSFs steadily closing since 2017.

Strengthening Tax Compliance – ATO Counter Fraud Strategy

The Australian Government has committed $187.0 million over the next four years, starting from 1 July 2024, to empower the Australian Taxation Office (ATO) in its efforts to combat fraud within the tax and superannuation systems.

This significant investment will focus on enhancing the ATO's technological capabilities, with $78.7 million allocated specifically for upgrading information and communications technologies. These advancements are designed to enable the ATO to detect and block suspicious activities more efficiently and in real time, mitigating the risk of fraudulent activities.

SMSF Association view:

The SMSF Association would be very supportive of seeing a portion of this funding dedicated to enhancing the ATO's strategies for managing risks associated with fraudulent activity and the illegal early release of superannuation benefits. We believe that strengthening the ATO's risk profiling capabilities for prospective SMSF trustees is an initiative that can effectively target fraudulent instances of illegal access and help to preserve the sector's integrity.

Division 296 Tax – Administrative costs for Commonwealth defined benefit schemes

Additional funding has been allocated to the Commonwealth Superannuation Corporation and the Department of Finance to help meet the costs associated with implementing the 2023–24 "*Better Targeted Superannuation Concessions"* Budget measure for members of the Commonwealth defined benefit superannuation schemes.

These costs, to be borne by taxpayers, is budgeted to be $9.2 million over four years from 2024–25 (and $1.1 million per year ongoing).

SMSF Association view:

These are the budgeted costs to be incurred for Commonwealth public service defined benefit schemes to implement the Division 296 tax.

Costs of this nature will be replicated across the entire superannuation system as all defined benefit schemes and contributory funds will need to comply with their obligations under this proposed new tax. This will include costs associated with changes to PDS and other statutory disclosure documents, IT and accounting systems and processes, as well as the additional ongoing administration costs. These costs will impact all superannuants, not just those impacted by this proposed tax.

Payday Superannuation & SuperStream

The Australian Government has announced the allocation of $60.0 million over four years, starting from 2024-25, to bolster the Productivity, Education and Training Fund.

This funding aims to enhance workplace productivity through practical activities involving both employer and worker representatives, promoting tripartite cooperation. Notably, the Government is committing to assisting workplaces with the introduction of payday superannuation.

The Australian Government has also committed additional resourcing to support the SuperStream Gateway Network Governance Body. This industry-owned, not-for-profit organization plays a crucial role in maintaining the integrity of the Superannuation Transaction Network, which is vital for the secure and efficient transmission of contribution data between employers and superannuation funds.

SMSF Association view:

The SMSF Association strongly supports the Government's initiative to aid employers in the adoption and compliance with the proposed payday superannuation changes. This policy will require employers to pay their employees' superannuation contributions simultaneously with their salary and wages, marking a departure from the traditional quarterly payment system that has been in place since 1 July 2003.

The SMSF Association recognises that, as currently proposed, the implementation of payday superannuation presents significant challenges and is not expected to be as automated as systems like Single Touch Payroll (STP).

The additional funding announced by Government for the SuperStream Gateway Network Governance Body is considered a key step towards supporting these intricate processes, to ensure that the system is equipped to handle the increased frequency and complexity of transactions that will come with the shift to payday superannuation.

Personal Income Tax – Cost of Living Tax Cuts

The Government has already legislated permanent tax cuts from 1 July 2024.

As a result of these tax cuts, the 2024-25 individual tax rates, for residents, will be as follows:

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $45,000	16c for each $1 over $18,200
$45,001 – $135,000	$4,288 plus 30c for each $1 over $45,000
$135,001 – $190,000	$31,288 plus 37c for each $1 over $135,000
$190,001 and over	$51,638 plus 45c for each $1 over $190,000

Note: This table does not consider the impacts of Medicare Levy nor any other tax offsets that may be available.

Increased 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.

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.

From 1 July 2013, the Medicare levy low-income thresholds will be as follows:

Singles	$26,000
Families	$43,846
Single seniors and pensioners	$41,089
Family threshold for seniors and pensioners	$57,198
Increase to family income threshold (for each dependent child).	$4,027

Power Bill relief

The Government has announced that, from 1 July 2024, it will provide “Power bill relief” via a $300 energy rebate to every Australian household, which will be automatically applied to their electricity bills.

Similarly, certain eligible small businesses will receive a $325 energy rebate on their electricity bills throughout the 2024–25 year. This small business rebate will be available to approximately one million businesses on small customer electricity plans.

Both of these credits will be applied in quarterly instalments.

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

The Government has announced that it will extend 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.

Freezing of Social Security Deeming Rates – Extended

The Government has announced that it will extend the current freeze on the Social Security deeming rates at their current levels for a further 12 months – until 30 June 2025.

This will assist 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.