mks wealth management

Impact of the May 2024 Federal Budget

Item	Description	Impact

This paper includes new policy initiatives announced on Budget Night of 14 May 2024 plus updates on other relevant proposals.

Taxation

1. Personal Income Tax

Effective: 1 July 2024

This table sets out the current personal income tax rates together with the new tax rates from July 2024.

Income	2023/24	2024/25
$0 to $18,200	Nil	Nil
$18,201 to $45,000	19%	**16%**
$45,001 to $120,000	32.5%	
$120,001 to $180,000	37%	
$45,001 to $135,000		**30%**
$135,001 to $190,000		**37%**
$180,001+	45%	
$190,001+		45%

The 2024/25 rates are the revised Stage 3 Tax Cuts that were legislated on 27 February 2024. As in previous years, the Medicare levy low income thresholds will also increase.

- The following tax are examples of tax savings:

Taxable Income	Tax Savings
$ 50,000	$929
$100,000	$2,179
$150,000	$3,729
$200.000+	$4,529

- No announcements regarding changes to the capital gains tax 50% discount, negative gearing or the use of family trusts.

2. Other Tax Initiatives

1. Extending the $20,000 instant asset write-off for small business by 12 months until 30 June 2025.
2. Strengthening the capital gains tax (CGT) rules applying to foreign residents including clarifying and broadening the types of assets that foreign residents are subject to CGT.

Superannuation		
1. Super on Government Paid Parental Leave **Effective: For births and adoptions on or after 1 July 2025**	Superannuation Guarantee will be paid on Commonwealth Government funded Paid Parental Leave.	• Currently Commonwealth Government funded Paid Parental Leave does not attract super. • This is just one measure to ensure a parent does not get left behind when taking time off from work due to a birth or adoption. • Couples should also consider spouse contributions and superannuation contribution splitting.
2. Tax increase for individuals with superannuation balances over $3 million (this is a reiteration of a measure from the May 2023 Budget that is yet to come into effect) **Effective: Based on balance at 30 June 2026 and applicable from the 2025/26 tax year.**	The Budget was silent on the Government's previously announced proposal that individuals with superannuation balances over $3m pay an additional 15% tax on their superannuation fund earnings, on top of the existing 15% tax rate. The new 15% tax will apply to 'changes' to in an individual's total superannuation balance during an income year, to the extent that their individual balance exceeds $3m. On 10 May 2024, the Senate handed down their review of the proposed legislation recommending it be passed without amendment.	• This proposal has many unpopular consequences, such as taxing unrealised gains. • We will keep affected clients up to date and will recommend an appropriate course of action. • Applicable action could include transferring the balance above $3m out of the fund. This will depend upon ongoing marginal tax rates outside of super.

3. Payday Super (this is a reiteration of a measure from the May 2023 Budget that is yet to come into effect) **Effective: 1 July 2026**	Employers will be required to pay superannuation on payday similar to how salaries are currently paid.	• By switching to payday super, a 25-year-old median income earner currently receiving their super quarterly and wages fortnightly could be around $6,000 or 1.5 per cent better off at retirement.
4. Other Superannuation Initiatives	1. No mention was made regarding changes to the upcoming Superannuation Guarantee rate increase. Accordingly, we anticipate the current rate of 11% will increase to 11.5% from 1 July 2024. 2. Although proposed by the previous Coalition Government in the 2021/22 Federal Budget, there was no mention made of an amnesty to allow the orderly wind up of legacy pensions (ie complying lifetime, life expectancy and market linked pensions). 3. The Government will pursue unpaid superannuation entitlements owed by employers in liquidation or bankruptcy from 1 July 2024. 4. No mention was made on the former Government's announcement in the May 2021 Federal Budget to relax the residency requirements for Self Managed Superannuation Funds by extending the central management and control test from 2 to 5 years and removing the active member test.	

Social Security		
1. Adjustment to the Annual Indexation on Student debt **Effective: Backdated to 1 June 2023.**	The Government will cap the HELP indexation rate to be the lower of either the Consumer Price Index (CPI) or the Wage Price Index (WPI).	• Applies to all HELP, VET Student Loan, Australian Apprenticeship Support Loan and other student support loan accounts. • This will fix last year's spike and prevent growth in debt from outpacing wages in the future.
2. Energy Relief **Effective: 1 July 2024**	Up to $300 for the year in electricity bill relief for all households and up to $325 (currently $650) for eligible small businesses. To be paid in quarterly instalments via a reduction in the energy bill.	• The currently household energy bill relief is being cut to $300 from $500 but extended to all households (currently only to low income households, certain social security recipients etc).
3. Extension of Freezing of Deeming Rates. **Effective: 1 July 2024**	Freezing of deeming rates for 876,000 income support recipients for another year. This will benefit Commonwealth Senior Health Card holders.	• For a couple, financial assets up to $100,200 are deemed to earn 0.25% and any exceed deemed to earn 2.25%. • For singles, financial assets up to $60,400 are deemed to earn 0.25% and any exceed deemed to earn 2.25%. • The thresholds will rise but the 0.5% and 2.25% rates will be frozen for another year.

4 Other Social Security and Aged Care Initiatives	1. Increase Commonwealth Rent Assistance by a further 10 per cent from 20 September 2024, benefiting nearly 1 million households. 2. As part of the new Eighth Community Pharmacy Agreement, instead of rising with inflation, there will be a one-year freeze on the maximum Pharmaceutical Benefits Scheme (PBS) patient co-payment for everyone with a Medicare card and a five-year freeze for pensioners and other concession cardholders. This change means that no pensioner or concession card holder will pay more than $7.70 (plus any applicable manufacturer premiums) for up to five years. 3. Carer Payment recipients will be able to work 100 hours over a four week period rather than the 25 hour per week current limit. This will provide greater flexibility for Carer Payment recipients to structure their work commitments around their caring role before losing their payment. Also, travel time, education and volunteering activities will no longer be counted in the participation limit. 4. Extending the higher rate of JobSeeker Payment and Energy Supplement to single recipients with an assessed partial capacity to work of up to 14 hours per week so that those with barriers to employment who have limited or no capacity to work due to their condition – but who do not qualify for Disability Support Pension - will receive an additional $54.90 a fortnight 5. The funding of 29 more Medicare Urgent Care Clinics. 6. The funding of an additional 24,100 home care packages. 7. A new $9.3 billion 5 year National Agreement of Social Housing and homelessness for states and territories to combat homelessness, provide crisis support and build and repair social housing.

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