

March 2025 Federal Budget

The Federal Treasurer recently delivered the Federal Budget for the next twelve months. As we are about to vote in the Federal election, it all needs to be taken with a grain of salt. Whilst they have managed to pass the tax cuts through parliament already, a lot of the other measures may not end up seeing the light of day, especially if we have a change of Government. As we are in election mode, it is also likely that both sides will make further announcements over the coming weeks. History has shown that they don't like to play all their cards too early.

In this newsletter we focus on the changes that have been announced. In particular we will look at issues that will impact individual taxpayers and small businesses. We also discuss some other interesting tax matters.

INDIVIDUALS

Individual Tax Rates

The Treasurer announced a "Modest" cut in the budget. The tax rate on the second tax bracket will reduce from 16% to 15% from July 2025. It will then reduce again to 14% from July 2026. The maximum tax saving available will be \$268 in the 2026/2027 year and \$536 in following years.

Australian Resident Individual Income Tax Rates			
Thresholds	2024/25 & 2025/26	2026/27	From 1 July 2028
\$0 - \$18,200	0%	0%	0%
\$18,201 - \$45,000	16%	15%	14%
\$45,001 - \$135,000	30%	30%	30%
\$135,001 - \$190,000	37%	37%	37%
\$190,001 and over	45%	45%	45%

The 2% Medicare Levy will be applied in addition to these rates, once the relevant low-income thresholds are passed.

Help to Buy home scheme expanded

The 'Help to Buy' program reduces the deposit required to buy a home by providing an equity contribution. Under the program, Housing Australia provides eligible participants with a Commonwealth equity contribution of up to 30% of the purchase price of an existing home and up to 40% of the purchase price of a new home. That is, they will give you the money and take a stake in your home.

The Budget increases the income threshold to \$100,000 for singles and \$160,000 for joint applicants. Additional conditions apply. The program is not currently available to applicants but is expected to start taking applications later in 2025.

Reduction of Student Debts

In changes announced in the Budget, the Government plans to reduce the balance of outstanding student debts by 20%. This will be done before indexation is applied on 1 June 2025 (subject to the passage of legislation) and it will remove \$16 billion in debt.

The Government has also confirmed it will reform the repayment system for the HELP and other student loan schemes. The reform will deliver a fairer student loan repayment system that is based on marginal rates and will increase the amount individuals can earn before they are required to start repaying their loan. It will take effect from 1 July 2025, subject to the passage of legislation.

Govt energy bill rebate to be extended: extra \$150 for 2025

The government will extend its energy bill rebate until the end of 2025 by providing a further 2 instalments of \$75 for households and small businesses.

BUSINESS

Instant Asset Write Off

Many commentators have said that the most disappointing thing about this budget is what was not mentioned. The Instant Asset Write-Off is a good example of this.

For the 2025 financial year, small businesses (with a turnover of up to \$10 million) can immediately deduct the full cost of eligible depreciating assets costing less than \$20,000. However, no mention was made in the budget of this being extended, and unless further changes are made, the limit will revert back only \$1,000 for the 2026 financial year.

In his Budget reply speech, the opposition leader Peter Dutton said that he intends to raise the limit to \$30,000, if elected.

Supporting Small Business

The Government has announced funding for the following initiatives which support small businesses:

- Strengthening of the ACCC enforcement of the Franchising Code.
- Improvement of ASIC's data analytics to target illegal phoenixing, particularly in construction sector.
- Establishment a Social Enterprise Loan Fund to offer small loans to social enterprises, including work integration social enterprises, to support employment for disadvantaged Australians
- Development of further protections against unfair trading practices for small businesses, including those under the Franchising Code.
- promoting 20-day payment times for certain contractors and subcontractors to ensure small businesses receive timely payment for their work
- increasing the Disability Australian Apprentice Wage Support subsidy and the Living Away From Home Allowance to support apprentices

OTHER INTERESTING TAX RELATED ITEMS

ATO Introduces Monthly GST Reporting for Small Businesses

The ATO has recently announced a change in GST reporting for small businesses. Commencing on April 1, 2025, the ATO will move approximately 3,500 small businesses from quarterly to monthly GST (BAS) reporting. The ATO will target businesses with a history of non-payment, late lodgement, or incorrect reporting.

This move is part of the ATO's 'Getting it right' campaign, and it is aimed at improving compliance and fostering good business habits. The ATO claims that switching to a monthly cycle can help small businesses manage their tax obligations more effectively.

The ATO will notify affected businesses and their tax professionals about the change. Small businesses struggling with tax obligations will be encouraged to seek help early from tax professionals or the ATO.

Recovering from a natural disaster: what you need to know about tax

We've experienced another summer of damaging weather, with Cyclone Alfred catching many unprepared here in Southern Queensland. As we recover and move into the cooler months, it's a good time to discuss the tax implications of assistance payments and insurance payouts. Let's consider some common questions you might have about taxes after a natural disaster:

Are insurance payouts taxable?

When you receive an insurance payout after a disaster, whether it's taxable depends on the type of asset involved:

- **Your home:** If the insurance payout is for your main residence, it's generally not taxable. However, if you were using part of your home for business purposes, there may be some tax implications.
- **Personal assets:** Payouts for personal items like household goods, furniture and private vehicles are generally not taxable. For example, if your personal car's destroyed by a flood and you get an insurance payout, you don't need to report it on your tax return.
- **Rental properties and income-producing assets:** If the insurance payout relates to a property used to produce income, it may have tax implications. For instance, if part of your home was used for a business, such as a home office, the insurance payout might affect your capital gains tax (CGT) calculations.
- **High-value personal assets and collectables:** Special rules apply to personal assets over \$10,000 and collectables over \$500. If the payout exceeds the original cost, it might be taxable.
- **Business assets:** For business owners, insurance payouts for damaged or destroyed business assets (like equipment or inventory) are usually taxable and need to be reported as income. Any replacement assets purchased with insurance payouts can be depreciated moving forward, and an immediate tax deduction may be available (subject to the Instant Asset Write-off thresholds)

What about rebuilding or selling my home?

If your home has been damaged or destroyed in a natural disaster or even a fire, there are things to consider.

It's worth noting that if you rebuild your home, move back in as soon as practicable and live there for at least three months before selling, the property can remain exempt from CGT. This exemption also applies if you sell the land without rebuilding, provided the destroyed property was your main residence before the disaster.

How do disaster assistance payments affect taxes?

The Australian and state and territory governments offer various disaster assistance payments, such as the Disaster Recovery Allowance (DRA), which provide temporary income support to those affected by disasters.

These payments are generally not taxable, but it's important to understand the relevant eligibility criteria and application processes, and check with the specific agency providing the assistance or with your tax professional to confirm the tax status of any payments you receive.

Can I claim a deduction for making donations?

Donating to disaster relief efforts can also have tax implications:

- **Donations to deductible gift recipients (DGRs):** Monetary donations of \$2 or more to registered DGRs are tax-deductible. Please always ensure the charity is legitimate and registered by checking the Australian Charities and Not-for-profits Commission (ACNC) register or ABN Lookup websites. Remember that donations GoFundMe style groups may not be tax deductible.
- **Receipts and documentation:** Keep receipts for your donations, as they're necessary for claiming deductions on your tax return. In some cases, such as approved bucket donations under \$10, receipts might not be required.