Federal Budget 2023–24 Report

9 May 2023

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Preamble

Marg Marshall, CTA
President,
The Tax Institute

"This Budget was unsurprising, addressing the cost of living while not inflaming inflation, but the underlying structural issues remain. The tax reform discussion will continue to gain momentum in the next 12 months – a discussion our political leaders need to join."

Scott Treatt, CTA
General Manager,
Tax Policy and Advocacy
The Tax Institute

A Budget designed to alleviate cost of living pressures, but tax reform remains untapped

The Federal Treasurer, the Hon Dr Jim Chalmers MP, has delivered an 'as expected' Budget, containing a package of measures designed to provide relief from the cost of living pressures being experienced throughout our community. Against a backdrop of a slowing and uncertain global economy, the outlook for Australia is promising, but challenging. High inflation and soaring interest rates have stagnated growth across the global economy, putting financial pressure on many Australian households. We continue to feel the resounding impacts of Russia's invasion of Ukraine and other global unrest and volatility in the financial markets, as well as continued disruptions to global supplies of basic necessities like food and energy. On the home front, while inflation remains very high, it is expected to subside (though not in the immediate future), and some wage growth is expected to continue.

In this challenging economic environment, the Government has appropriately prioritised those in greatest need of support. We are pleased to see the announcement of measures designed to deliver relief to the most vulnerable in our community. The energy bill relief for households and small businesses and investments in Medicare and increased incentives for GP bulk billing are welcome. It is also pleasing to see the Government commit to increasing the award rates for aged care workers — this recognition and upward movement is fitting given our ageing population.

Through this Budget, the Government has demonstrated a desire to work with industry to achieve better outcomes for Australian families and businesses. Increasing the appeal of Build-to-Rent Developments through greater tax incentives will encourage investment and construction in this sector and is one way of achieving more affordable housing. Collaborating with the states and industry stakeholders to introduce a social impact investing model as a way to deliver targeted support to disadvantaged communities is another way that the Government is establishing the foundations for longer term growth.

We welcome the raft of measures announced to support small businesses. The Tax Institute recognises that small businesses are a cornerstone of the Australian economy and the contributions made by this sector to keep Australia afloat do not go unnoticed. We support the continued focus on cutting red tape and alleviating compliance costs for taxpayers in meeting their obligations.

Superannuation has been in the spotlight in recent months with several measures re-announced in the Budget. The Budget Papers also contained an announcement that the non-arm's length income (**NALI**) provisions will be amended in some respects. While the proposed amendments are significant changes since the initial consultation, the lack of detail in the announcement raises questions about whether the broader underlying concerns raised by the professional associations, including The Tax Institute, will be addressed.

It was unsurprising to see the announcement of measures progressing the Government's election commitments regarding multinational tax integrity. It is evident that timelines in this space, both domestically and on the global scale, remain tight, and we acknowledge that this is challenging for our corporate members and their advisers. The Tax Institute has been heavily involved in consultation on the broader suite of multinational tax integrity and transparency measures, and we continue to advocate for changes that balance the need for integrity in the system with economic activity and growth.

Tax measures in the Budget Papers are traditionally light on the particulars, but as we all know, when it comes to tax, the devil is in the detail. This is just one reason why consultation is a fundamental aspect of good law and policy design. Consultation allows the Government access to the insights and expertise of a range of stakeholders who can assist in the development of good tax law and ensure it is consistent with good policy. The Tax Institute prides itself on representing our members and being an independent voice advocating for the betterment of the system for all Australians. We look forward to engaging with the Treasury and the ATO on the development of the announced tax measures.

In terms of broader tax reform, momentum has been building recently as tax reform starts to find its way to the forefront of political debate and public discourse. While we would have liked to see the Government use this Budget as an opportunity to address the long-standing need for tax reform, we acknowledge the prioritisation of cost of living support.

It is only through a genuine holistic reform of our tax system that we will be able to unlock its potential. This includes addressing longstanding structural challenges, sustainably funding relief packages, providing ongoing support for Australian families and businesses, and ensuring the delivery of essential public services. Until then, our tax system remains untapped and The Tax Institute will continue to advocate for its reform.

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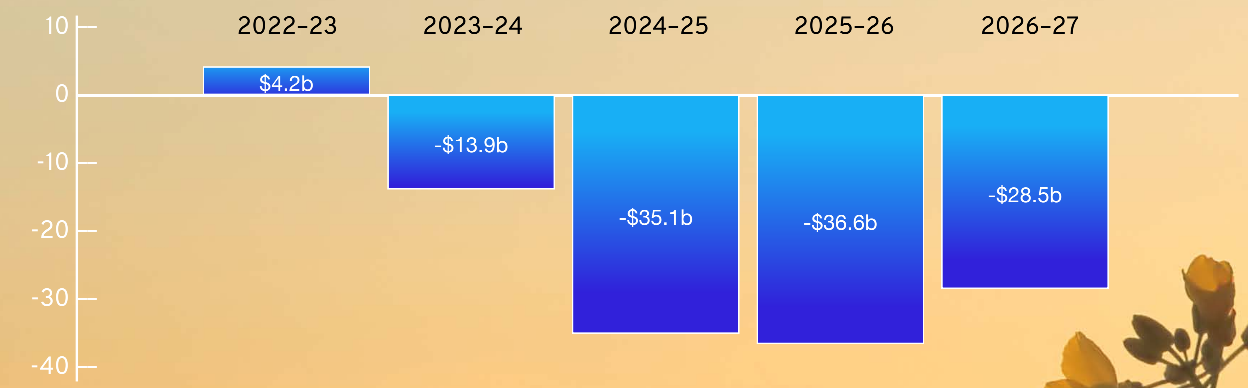
The 2023–24 Financial Outlook

Underlying Cash Balance



Gross Debt

Real GDP

2022-23	2023-24	2024-25	2025-26	2026-27
3.25%	1.50%	2.25%	2.75%	2.75%

Inflation (CPI)

2022-23	2023-24	2024-25	2025-26	2026-27
6.00%	3.25%	2.75%	2.50%	2.50%

Wage Growth

2022-23	2023-24	2024-25	2025-26	2026-27
3.75%	4.00%	3.25%	3.25%	3.50%

Unemployment

2022-23	2023-24	2024-25	2025-26	2026-27
3.50%	4.25%	4.50%	4.50%	4.25%

Key Tax Measures

- Pillar 2 – implementation of a global minimum tax and a domestic minimum tax
- Better Targeted Superannuation Concessions
- Tax Integrity – expanding the general anti-avoidance rule
- Small Business support:
  - $20,000 instant asset write-off
  - Energy Incentive
  - Amending instalments to assist cash flow

Investments

Energy bill relief: $3b for families and small businesses

Medicare: $5.7b over 5 years

Single parents: $1.9b over 5 years

Renewable energy: an additional $4b

Cost of living plan: $14.6b across key budget measures

Afforable housing: $700m in ongoing support per year

Start Dates at a Glance

Announced Measure	Start Date
Personal Tax	
Increasing the Medicare levy low-income thresholds	1 July 2022
Exempting lump sum payments in arrears from the Medicare levy	1 July 2024
Superannuation	
Better Targeted Superannuation Concessions ($3 million threshold)	1 July 2025
Increasing the payment frequency of the Superannuation Guarantee (**SG**) and investing in SG compliance	1 July 2026
Further changes to non-arm's length income rules	Undisclosed
Tax issues for SMEs	
Temporary $20,000 instant asset write-off threshold	1 July 2023
Small Business Energy Incentive	1 July 2023
Helping small business manage their tax instalments and improving cash flow	1 July 2023
Corporate and International Tax Issues	
Implementing a global minimum tax and a domestic minimum tax	Income Inclusion Rule: 1 January 2024 Undertaxed Profits Rule: 1 January 2025 Domestic minimum tax: 1 January 2024
Amending the Electric Car Discount	1 April 2025
Clarifying the tax treatment of PRRT rights	Exploration for petroleum: 21 August 2013 Mining, quarrying and prospecting rights: 9 May 2023
Government response to the review of the PRRT Gas Transfer Pricing arrangements	1 July 2023
Reducing compliance costs for general insurers	1 January 2023
Tax Administration	
Expanding the income tax general anti-avoidance rule (Part IVA)	1 July 2024
Reducing the time spent by small businesses complying with tax obligations	Funding: 1 July 2023 Other measures: 1 July 2024
Improving engagement with taxpayers to ensure timely payment of tax and superannuation liabilities	1 July 2023
Extending the Personal income tax compliance program	Program extended: for 2 years from 1 July 2025 Expanded scope: from 1 July 2023
GST compliance program – four-year extension	1 July 2023
Extending and merging the Serious Financial Crime Taskforce and Serious Organised Crime program	1 July 2023
Other Measures	
Amending measures announced by the former Government	Tax integrity – franked distributions funded by capital raisings: 15 September 2022 Patent box measures – not proceeding
Institutional Reform to Australia's System of Federal Administrative Review	Funding over multiple dates
Targeting entrenched community disadvantage – Social impact investing	Various
Housing (Build-To-Rent Developments) – accelerating tax deductions and reducing managed investment trust withholding tax rate	Build-to-rent (BTR) program: Undisclosed WHT rate for MITs: 1 July 2024
Extending the clean building managed investment trust withholding tax concession	1 July 2025
Treasury Portfolio – additional resourcing	1 July 2023
Improving health outcomes and aligning the treatment of stick and non-stick tobacco tax	1 September 2023
Amending start date for fuel and alcohol excise package	1 July 2024

Personal Tax & Superannuation

Exempting lump sum payments in arrears from the Medicare levy

The Government will exempt eligible lump sum payments in arrears from the Medicare levy for certain low-income taxpayers from 1 July 2024.

This measure will apply to taxpayers who are eligible for a reduction in the Medicare levy in the two most recent years to which the lump sum accrues. Taxpayers must also meet existing eligibility requirements of the existing lump sum payment in arrears tax offset, including that a lump sum consists of at least 10% of the taxpayer's income in the year of receipt.

Increasing the Medicare levy low-income thresholds

The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from 1 July 2022.

The thresholds will be increased as follows:

- for singles – from $23,365 to $24,276;
- for families – from $39,402 to $40,939;
- for single seniors and pensioners – from $36,925 to $38,365; and
- for family seniors and pensioners – from $51,401 to $53,406.

For each dependent child or student, the family income thresholds will increase by a further $3,760 ($3,619 for 2021–22).

Increasing the payment frequency of the Superannuation Guarantee (SG) and investing in SG compliance

The Government will require employers to pay their employees' superannuation guarantee (**SG**) entitlements on the same day that they pay salary and wages.

The proposed measure intends to:

- ensure that employees have greater visibility over whether their entitlements have been paid; and
- better enable the ATO to recover unpaid superannuation.

The measure is proposed to commence from 1 July 2026 to allow the ATO, payroll service providers and superannuation funds time to make necessary system changes and for employers to adjust their cash flow practices.

Consequential changes to the design of the SG charge will also be necessary due to the increased payment frequency. The Government will consult with relevant stakeholders on the design of these changes, with the final design to be considered as part of the Federal Budget 2024–25.

The Government will provide the ATO with $40.2 million in 2023–24, being:

- $27.0 million to improve data matching capabilities to identify and act on cases of SG underpayment by employers; and
- $13.2 million for consultation and co-design of the systems.

This measure was previously announced by the Government on 2 May 2023.

Better Targeted Superannuation Concessions

The Government will introduce an additional 15% tax on earnings on an individual's superannuation account, for total superannuation balances (**TSB**) exceeding $3 million. This will bring the headline rate of tax to 30%. Earnings relating to assets below the $3 million threshold will continue to be taxed at 15%, or 0% if held in a retirement pension account.

Interests in defined benefit schemes will be appropriately valued and will have earnings taxed under this measure in a similar way to other interests to ensure commensurate treatment.

The measure will not limit the amount of money an individual can hold in superannuation or change the current contributions rules.

The measure is proposed to commence on 1 July 2025 and apply from the 2025–26 financial year.

This measure was previously announced by the Government on 28 February 2023.

Treasury released a Consultation Paper detailing the proposed policy of the measure. The Tax Institute's submission can be found here.

Further changes to non-arm's length income rules

The Government will amend the NALI provisions which apply to expenditure incurred by superannuation funds by:

- limiting income of self-managed superannuation funds (**SMSFs**) and small Australian Prudential Regulation Authority (**APRA**)-regulated funds that is taxable as NALI to twice the level of a general expense (the Government previously proposed a five-times multiple in consultation earlier this year);
- ensuring fund income that is 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 measure introduces significant changes since Treasury's initial consultation. However, it is uncertain whether the broader underlying concerns raised by the professional associations, including The Tax Institute, will actually be addressed.

Tax Issues for SMEs

Small Business Energy Incentive

The Government will support small and medium businesses to save on energy bills by incentivising the electrification of assets and improvements to energy efficiency.

Businesses with an aggregated turnover of less than $50 million can claim an additional deduction of 20% of the cost of eligible depreciating assets that support electrification and more efficient use of energy, such as energy-efficient fridges, heat pumps and electric heating or cooling systems. Up to $100,000 of total expenditure will be eligible for the incentive, with a maximum bonus tax deduction of $20,000 per business.

Eligible assets or upgrades must be first used or installed ready for use between 1 July 2023 and 30 June 2024. Eligible upgrades will also need to be made in this period. Certain assets will be excluded, such as electric vehicles, renewable electricity generation assets, capital works, and assets that are not connected to the electricity grid and use fossil fuels.

Full details of eligibility criteria will be finalised in consultation with stakeholders.

This measure was previously announced by the Government on 30 April 2023.

Temporary $20,000 instant asset write-off threshold

The Government will improve cash flow and reduce compliance costs for small businesses by temporarily increasing the instant asset write-off threshold to $20,000 from 1 July 2023 to 30 June 2024.

Without this change, the threshold would have reverted to the standard legislated threshold (in section 328-180 of the *Income Tax Assessment Act 1997* (**ITAA 1997**)) of $1,000 from 1 July 2023, following the ending of the temporary full expensing measures on 30 June 2023.

Small business entities with an aggregated turnover of less than $10 million will be able to immediately deduct the total cost of eligible depreciating assets costing less than $20,000 that are first used or installed 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.

Depreciating assets that cost $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business general use pool and depreciated at the rate of 15% in the first income year and 30% each year thereafter.

The provisions that prevent small business entities from re-entering the simplified depreciation regime in Subdivision 328-D of the ITAA 1997 for five years if they opt out will continue to be suspended until 30 June 2024.

Helping small business manage their tax instalments and improving cash flow

The Government will amend the tax law to set the uplift factor for pay as you go (**PAYG**) and GST instalments at 6% for the 2023–24 income year. This is a reduction from the 12% factor that would otherwise apply under the statutory formula.

The 6% GDP-adjusted rate will apply to small businesses and individuals who are eligible to use the relevant instalment methods. These are taxpayers with an aggregated turnover up to $10 million for GST instalments and $50 million for PAYG instalments. The adjustment rate will apply in respect of instalments that relate to the 2023–24 income year and fall due after the enabling legislation receives Royal Assent.

Corporate & International Tax Issues

Implementing a global minimum tax and a domestic minimum tax

Consistent with previous announcements and as another step to progress the Government's election commitments regarding multinational tax integrity, the Government will implement key aspects of Pillar Two of the OECD/G20 Two-Pillar Solution to address challenges in taxation arising from digitalisation of the global economy.

These measures will be based on the OECD Global Anti-Base Erosion Model Rules (**GloBE Rules**) that seek to ensure that large multinationals pay an effective minimum level of tax on income arising in the jurisdictions in which they operate. They will apply to large multinationals with annual global revenue of EUR750 million (approximately AUD$1.2 billion) or more.

Global minimum tax

The Government will introduce a 15% global minimum tax for large multinational enterprises. The Income Inclusion Rule will apply to income years starting on or after 1 January 2024 and the Undertaxed Profits Rule will apply to income years starting on or after 1 January 2025. Australia will be able to apply a top-up tax on resident multinational parent companies or subsidiary companies in Australia where the group's income is taxed below 15% overseas.

Domestic minimum tax

The Government will also introduce a 15% domestic minimum tax that will apply to income years starting on or after 1 January 2024. This is intended to give Australia first claim on top-up tax for any low-taxed domestic income, and will be relevant in certain cases where a large multinational company's effective Australian tax rate falls below 15%. This measure will allow Australia to collect the revenue that would otherwise have been collected under another country's global minimum tax.

Impact on franking credits

Subject to OECD peer review of the Australian legislation when it is developed, the domestic minimum tax will give rise to franking credits but, consistent with the GloBE Rules, the global minimum tax will not.

This is consistent with existing rules that allow franking credits only for domestic corporate tax paid and to ensure Australia participates consistently with other jurisdictions in the globally coordinated approach. The global minimum tax is imposed by, and paid in, Australia. However, the rationale for not allowing franking credits is that taxes paid under the global minimum tax are imposed in place of foreign taxes that have not been imposed. If they had been imposed in the relevant foreign jurisdiction, they would not give rise to franking credits. Likewise, not providing franking credits for top-up taxes paid in Australia is analogous to circumstances where a foreign country was to increase its tax, in which case, franking credits would not arise.

Amending the Electric Car Discount

The Government will sunset the eligibility of plug-in hybrid electric cars from the fringe benefits tax (**FBT**) exemption for eligible electric cars. This change will apply from 1 April 2025.

Arrangements involving plug-in hybrid electric cars entered into between 1 July 2022 and 31 March 2025 will remain eligible for the Electric Car Discount.

Clarifying the tax treatment of PRRT rights

The Government announced that it will amend the Petroleum Resource Rent Tax (**PRRT**) legislation to clarify that 'exploration for petroleum' is limited to the 'discovery and identification of the existence, extent and nature of the petroleum resource'. It does not extend to 'activities and feasibility studies directed at evaluating whether the resource is commercially recoverable'. This measure is consistent with the ATO's view in Taxation Ruling [TR 2014/9](), which applies from 21 August 2013.

The amendments will apply to all expenditure incurred from 21 August 2013.

The measure will also:

- clarify that mining, quarrying and prospecting rights (**MQPRs**) cannot be depreciated for income tax purposes until they are used (not merely held); and
- limit the circumstances in which the issue of new rights over areas covered by existing rights leads to tax adjustments.

These amendments will apply to all MQPRs acquired or started to be used after 7:30pm AEST on 9 May 2023.

This measure was previously announced by the Government on 7 May 2023.

Government response to the review of the PRRT Gas Transfer Pricing arrangements

The Government will amend the Petroleum Resource Rent Tax (**PRRT**) to introduce a cap on the use of deductions to offset assessable PRRT income of liquefied natural gas (**LNG**) producers. The cap will bring forward PRRT receipts from LNG projects that are yet to pay the PRRT.

The cap will apply only to PRRT projects that produce LNG. Projects would not be subject to the cap until the earlier of 7 years after the year of first production or 1 July 2023. The cap will not apply to certain classes of deductible expenditure in the PRRT such as closing-down expenditure, starting base expenditure and resource tax expenditure.

From 1 July 2023, the measure will also update the PRRT general anti-avoidance rule and the arm's length rule to clarify their application to the Petroleum Resource Rent Tax Assessment Regulation 2015.

From 1 July 2024, the measure will:

- modernise the PRRT for emerging developments in LNG project structures;
- better reflect the contributions and risks of the notional entities that comprise the LNG value chain;
- align the regulations with current transfer pricing practices; and
- provide appropriate integrity rules for the regime.

Consultation will occur regarding the final design and implementation details for the deductions cap and on the draft PRRT regulations later in 2023. Consultation on the other aspects of the measure will occur in 2024.

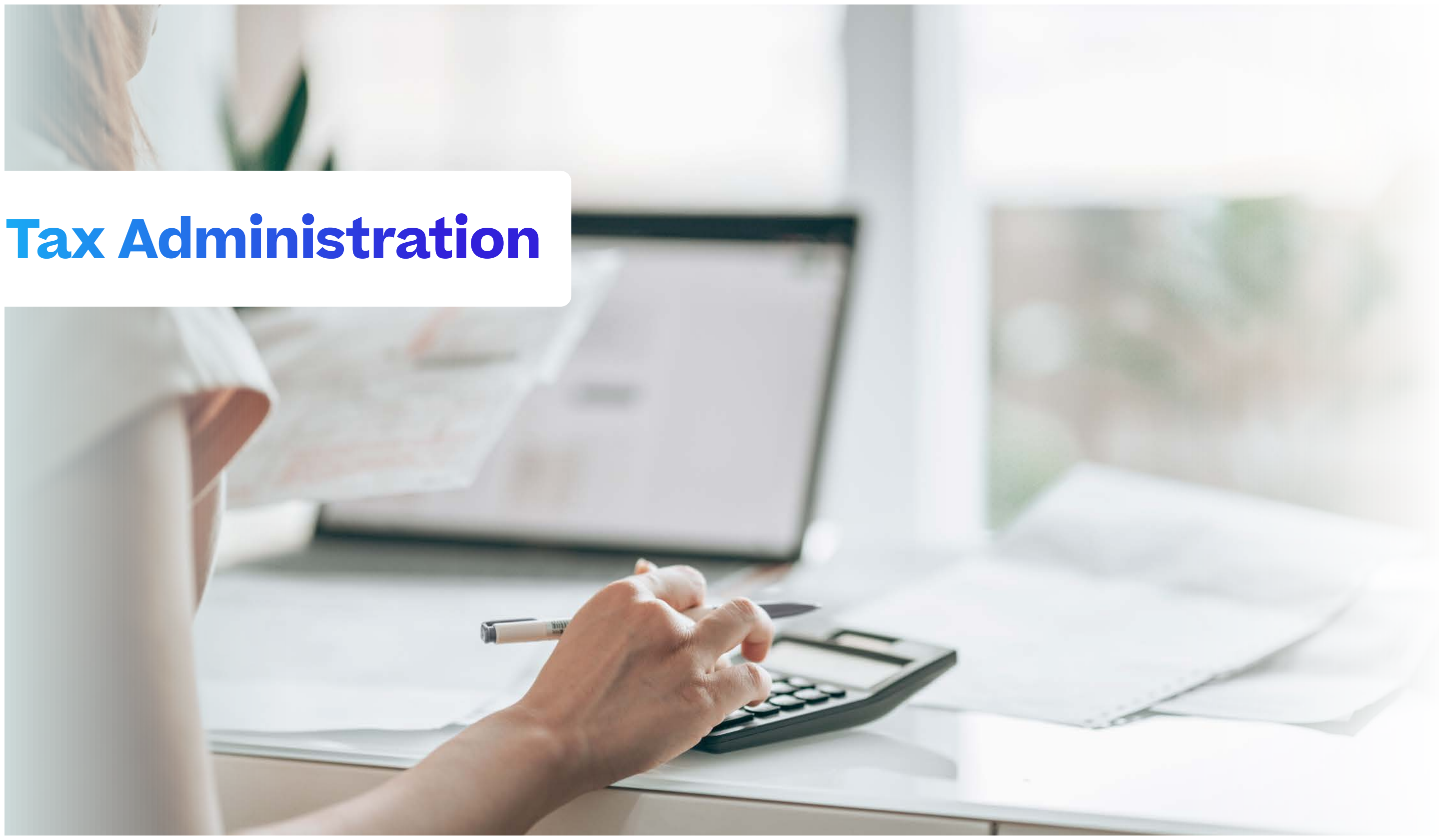
This measure was previously announced by the Government on 7 May 2023.

Reducing compliance costs for general insurers

The Government will amend the tax law to minimise the regulatory burden facing the general insurance industry following the introduction of the new accounting standard, AASB17 Insurance Contracts, by the Australian Accounting Standards Board. Under the new standard, the tax law is no longer aligned with the accounting standards.

This measure will allow general insurers to continue to use audited financial reporting information, calculated under the new standard, as the basis for their tax returns.

This measure will have effect for income years commencing on or after 1 January 2023.



Tax Administration

Expanding the general anti-avoidance rule in the income tax law

The Government will improve the integrity of the tax system by expanding the scope of the income tax general anti-avoidance rule (Part IVA of the *Income Tax Assessment Act 1936*) so that it can apply to schemes that:

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

This measure will apply to income years commencing on or after 1 July 2024, regardless of whether the scheme is entered into before that date.

Reducing the time spent by small businesses complying with tax obligations

The Government will provide $21.8 million over four years from 2023–24 (and $1.4 million annually ongoing) to the ATO to lower the tax-related administrative burden for small businesses.

The funding includes:

- $12.8 million over three years from 2023–24 to trial an expansion to the ATO's independent review process expansion to small businesses with an aggregated turnover between $10 million and $50 million who are subject to an ATO audit – the trial will run for 18 months from 1 July 2024; and
- $9 million over four years from 2023–24 (and $1.4 million per year ongoing) for five new tax clinics from 1 January 2025 to improve access to tax advice and assistance for 2.3 million small businesses – eligibility for funding will be extended to TAFE institutions to improve access to tax clinic services in regional areas.

The measure also proposes to:

- permit small businesses to authorise their tax agent to lodge multiple Single Touch Payroll forms on their behalf from 1 July 2024;
- benefit small businesses through faster, safer and cheaper income tax refunds by reducing the use of cheques from 1 July 2024; and
- provide small businesses up to 4 years to amend their income tax returns from 1 July 2025.

Improving engagement with taxpayers to ensure timely payment of tax and superannuation liabilities

The Government will provide $82.1 million in funding over 4 years from 1 July 2023 to the ATO to engage with businesses and address the growth of tax and superannuation liabilities.

The funding will facilitate ATO engagement with taxpayers who have high-value debts over $100,000 and aged debts older than two years where those taxpayers are either public and multinational groups with an aggregated turnover of greater than $10 million, or privately owned groups or individuals controlling over $5 million of net wealth.

The funding will also provide a lodgment penalty amnesty for small businesses with an aggregated turnover of less than $10 million to encourage them to re-engage with the tax system. The amnesty will remit failure to lodge penalties for outstanding tax statements lodged in the period from 1 June 2023 to 31 December 2023 that were originally due during the period from 1 December 2019 to 29 February 2022.

Extending the Personal income tax compliance program

The Government will provide $89.6 million 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.

This measure will:

- enable the ATO to continue to deliver a combination of proactive, preventative, and corrective activities in areas of non-compliance; and
- expand the scope of the program to address emerging areas of risk, such as deductions relating to short-term rental properties to ensure they are genuinely available for rent.

GST compliance program – four-year extension

The Government will provide $588.8 million to the ATO over four years from 1 July 2023 to continue activities that promote compliance with the Goods and Services Tax (**GST**).

This measure will:

- ensure that businesses meet their tax obligations, including accurately accounting for and remitting GST and correctly claiming GST refunds; and
- help the ATO develop more sophisticated analytical tools to target emerging risks.

Extending and merging the Serious Financial Crime Taskforce and Serious Organised Crime program

The Government will extend funding for the Serious Financial Crime Taskforce (**SFCT**) and Serious Organised Crime program (**SOC**) over 4 years to 30 June 2027 and merge the programs, with a merged SFCT to commence from 1 July 2023. Funding for both programs would terminate on 30 June 2023.

Currently, the ATO leads the SFCT and SOC, which are separately funded cross-agency collaborations, involving national policing and other law enforcement and regulatory agencies. Together they target serious and organised crime groups and severe financial crime and tax evasion.

Other Measures

Amending measures announced by the former Government

The Government will amend some unenacted measures that were announced by the former Government. The following measures have been amended:

- the start date of the Mid-Year Economic and Fiscal Outlook (**MYEFO**) 2016–17 measure: *Tax integrity – franked distributions funded by capital raisings* will be delayed from 19 December 2016 to 15 September 2022 (this revised start date is already reflected in Schedule 5 to the Treasury Laws Amendment (2023 Measures No. 1) Bill 2023 which was referred to the Senate Economics Legislation Committee on 9 March 2023 for inquiry, with the Committee's report due by 26 May 2023 — the Bill remains before the Senate); and
- the three patent box measures announced by the previous Government in the Federal Budget 2021–22 and Federal Budget 2022–23 will not proceed.

Institutional Reform to Australia's System of Federal Administrative Review

The Government announced funding to achieve the abolition of the Administrative Appeals Tribunal (**AAT**) and its replacement with a new administrative review body. The Government will provide $89.5 million over 5 years from 2022–23 (and $1.5 million per year ongoing) to support the establishment of the new administrative review body. The funding includes:

- $63.4 million over two years from 2023–24 to appoint additional full-time members. This is intended to assist with the backlog of AAT cases;
- $14.4 million over 5 years from 2022–23 (and $1.5 million per year ongoing) for the Attorney-General's Department to manage the transition to the new administrative review body; and
- $11.7 million over two years from 2022–23 to develop a modern case-management system for the new administrative review body.

Funding for these initiatives has already been provided for by the Government.

The proposed abolition of the AAT and its replacement with a new administrative review body was previously announced by the Government on 16 December 2022.

Targeting entrenched community disadvantage – Social impact investing

The Government has announced a series of measures to address entrenched community disadvantage. The total package of $199.8 million (over 6 years from 2023–24) includes initiatives such as place-based approaches, better engagement with philanthropy and promoting social impact investing.

Regarding the latter, the Government has announced that it will commit $100 million over 5 years from 2024–25 to establish a social impact investment Outcomes Fund. The fund will make contractual payments to states, territories and service providers based on the delivery of agreed, measurable outcomes through specific projects.

This measure will target deeply ingrained social issues in disadvantaged communities, and improve areas such as education, disability care, aged care, homelessness and employment. A co-design process will be undertaken with stakeholders including the states and territories.

The Government has also announced funding of $11.6 million over 3 years from 2023–24 for a Social Enterprise Development Initiative to provide grants, online education and mentoring for eligible organisations to:

- build capability to access capital;
- more effectively participate in social impact investing; and
- support improved social outcomes.

More information about this can be found here.

Housing (build-to-rent developments) – accelerating tax deductions and reducing managed investment trust withholding tax rate

The Government announced changes to the build-to-rent (**BTR**) program. For eligible construction projects commencing after 7:30pm AEST on 9 May 2023, the measure will:

- increase the rate for the capital works deduction from 2.5% to 4%; and
- reduce the final withholding tax (**WHT**) rate on eligible fund payments from managed investment trusts (**MITs**) from 30% to 15%.

This measure will apply to BTR projects consisting of 50 or more apartments or dwellings made available for rent to the general public.

The dwellings must be retained under single ownership for at least 10 years before being able to be sold and landlords must offer a lease term of at least 3 years for each dwelling.

The reduction in the WHT rate for MITs will apply from 1 July 2024 for residential BTR dwellings. Consultation will be undertaken on implementation details, including any minimum proportion of dwellings being offered as affordable tenancies and the length of time dwellings must be retained under single ownership.

This measure was previously announced by the Government on 28 April 2023.

Extending the clean building managed investment trust withholding tax concession

The Government will extend the clean building managed investment trust (**MIT**) withholding tax concession to data centres and warehouses that meet the relevant energy efficiency standard, where construction commences after 7:30pm AEST on 9 May 2023. This measure will apply from 1 July 2025.

This measure will also raise the minimum energy efficiency requirements for existing and new clean buildings to a 6-star rating from the Green Building Council Australia or a 6-star rating under the National Australian Built Environment Rating System. Consultation will be undertaken on transitional arrangements for existing buildings.

Treasury Portfolio – additional resourcing

The Government will provide $2.9 million over four years from 2023–24 (and $600,000 per year ongoing) to the ATO to enable increased disclosure of the Australian Charities and Not-for-profits Commission's (**ACNC's**) regulatory activities to enhance transparency and accountability in the charity sector.

The Government will also provide $1.9 million in funding over two years from 2023–24 to establish a public registry of beneficial ownership of companies and other legal vehicles, including trusts.

Improving health outcomes and aligning the treatment of stick and non-stick tobacco tax

The Government will introduce a range of measures relating to the tobacco excise. The measures will:

- increase the tobacco excise and excise-equivalent customs duty by 5% per year for 3 years from 1 September 2023, in addition to ordinary indexation;
- align the tax treatment of tobacco products subject to the per kilogram excise and excise-equivalent customs duty with the manufactured per-stick rate, by progressively lowering the 'equivalisation weight' from 0.7 grams to 0.6 grams (progressive decreases will occur on 1 September each year from 2023 with the new weight of 0.6 grams taking effect in full from 1 September 2026); and
- expand compliance activity to address illicit tobacco and work with relevant agencies and state and territory governments to develop an appropriate multi-jurisdictional approach.

The Government previously announced the measure on 2 May 2023.

Amending start date for fuel and alcohol excise package

The Government will amend the start date for some components of the Streamlining excise administration for fuel and alcohol package measure announced in the Federal Budget 2022–23. For the following measures, the start date will move from 1 July 2023 to 1 July 2024:

- remove overlapping Australian Border Force and ATO systems (Uniform Business Experience);
- streamline license application and renewal requirements; and
- remove regulatory barriers for excise and excise equivalent customs goods (including lubricants, bunker fuels for commercial shipping industries, and vapour recovery units).

From 1 July 2024, the ATO will also publish on its website a public register of entities that hold excise licences to store or manufacture excise and excise-equivalent customs goods.

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