

# client alert

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## Revised stage 3 tax cuts now law

With the revised stage 3 tax cuts now law, it's a good time to understand how these changes will affect you and how to plan your taxes for the future more effectively. The new rates will apply from 1 July 2024.

For the current income year, an individual who earns \$67,600 annually (the median income from the latest Australian Bureau of Statistics data) will be expected to pay around \$12,437 in income tax. With the new tax rates coming in for the 2024–2025 income year, assuming they earn the same amount, they will be paying \$11,068 in income tax – a tax saving of around \$1,369 for the year, or around \$26 per week.

An individual who earns \$98,176 annually (the average income from the latest average weekly ordinary time earnings data) will have an income tax bill of around \$22,374 for the 2023–2024 income year. However, this will drop to \$20,240 when the new rates come into force for the 2024–2025 year, leading to a tax saving of around \$2,133 for the year, or \$41 per week.

Similarly, an individual who earns \$180,000 can expect to see a tax saving of \$3,729 for the year, or \$71 per week; they will pay income tax of \$51,667 for 2023–2024 versus \$47,938 in 2024–2025.

These revised tax cuts were introduced as a cost-of-living relief measure by the government to put more money back in the pockets of Australian workers so they can deal with recent skyrocketing inflation. By also giving a proportional tax cut to working holiday makers and foreign residents the government is banking on more spending from that segment which will boost the economy overall.

In association with the revised income tax cuts, the government has also lifted low-income Medicare levy thresholds for eligible singles, families, seniors and pensioners to apply for the current income year, meaning more low-income earners can avoid paying the Medicare levy of 2% on top of their tax, or will pay a reduced amount of levy.

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## Refresher on deductibility of self-education expenses

With the return of international conferences for various occupations, the deductibility of expenses such as accommodation, meals and course fees related to self-education will once again come into play at tax time. Generally, work-related self-education expenses are tax-deductible if they enhance skills and knowledge, or lead to an income increase related to current income-producing work, for the person claiming the deduction.

Self-education expenses include the costs of courses at an education institution (whether leading to a formal qualification or not), courses provided by a professional organisation or an industry organisation, attendance at work-related conference or seminars, self-paced learning and study tours (whether within Australia or overseas).

Self-education expenses are tax-deductible if your income-earning activities are based on the exercise of a skill, or some specific knowledge, and self-education enables you to maintain or improve that skill or knowledge; and/or the self-education objectively leads to, or is likely to lead to, an increase in your income from your income-earning activities in the future (eg through a real opportunity of promotion, or eligibility for a higher pay grade or bonus).

You cannot deduct self-education expenses if the education is undertaken or designed to obtain employment, obtain new employment, or open up a new income-earning activity (whether in a business or in current employment).

A deduction is also not available if you weren't undertaking income-earning activities to derive assessable income (either by employment, carrying on a business or other means) at the time you incurred the self-education expense. Additionally, you can't claim a deduction for any government assistance you receive in the form of rebatable benefits (eg Youth Allowance, Austudy, ABSTUDY).

For self-education expenses that are only partly deductible, you need to apportion the amounts spent and claim only the part that relates to an income-earning purpose.

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## ATO scrutinising novated leases

The ATO will once again be running its data matching program on novated leases in 2024, covering the 2023–2024 to 2025–2026 income years. This program first commenced in 2021, collecting data from the 2018–2019 income year.

Novated lease data will be collected from various fleet and leasing groups, including McMillian Shakespeare Group, Smartgroup Corporation, SG Fleet Group, Eclipx Group, LeasePlan, Toyota Fleet Management, LeasePLUS and Orix Australia.

The data collected from providers will consist of a range of lessee/employee identification details, employer identifying details and lease transaction details, and it's estimated that around 240,000 individuals will be affected by the latest data matching program each financial year. The program will allow the ATO to identify and address tax risks such as employers claiming GST credits incorrectly for paying the GST on the purchase of a vehicle, risks related to FBT compliance, and employees incorrectly claiming motor vehicle related tax deductions.

The ATO also uses data from this type of program to provide tailored advice and guidance through online messaging prompts when people are completing their tax return, and for targeted prompter campaigns to identify any taxpayers with novated leases who have claimed work-related expenses on their tax returns.

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## Paying super on expanded government paid parental leave

The Treasurer has announced that the Federal Government will pay superannuation on paid parental leave from 1 July 2025. The intention is that the superannuation will be administered by the ATO, meaning that employers will not have to process these payments on the government's behalf. Further details of this measure, including cost, will be released in the Federal Budget due to be handed down in May 2024.

The Treasurer has said that this reform builds on the government's work to "modernise" paid parental leave and expand the payment to cover a full six months by 2026. The expansion to Australia's Paid Parental Leave Scheme will give families an additional six weeks of paid parental leave in total: an extra two weeks of leave (for 22 weeks total) from 1 July 2024, increasing to 24 weeks from July 2025 and 26 weeks from July 2026.

Employers will continue to be involved in the administration of payments if an employee elects to take eight or more weeks of their entitlement consecutively. For any shorter periods, Services Australia will pay the individual directly.

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## Small Business Superannuation Clearing House and SMSF bank account validation

To safeguard retirement savings held in self managed superannuation funds (SMSFs) from fraud and misconduct, the ATO is rolling out new security features. One new feature consists of checking for a match between an employee's SMSF bank account details and the SMSF record when electronic payments are made via the Small Business Superannuation Clearing House (SBSCH). Where there's a mismatch, the SBSCH cannot accept payments to an employee's SMSF until the error is resolved.

The SBSCH is a free, online superannuation payments service (part of ATO Online Services) that small businesses can use to pay their super contributions in one transaction. It's designed to simplify the process of making super contributions on behalf of employees, and is available to small businesses with 19 or fewer employees, or businesses with an annual aggregated turnover of less than \$10 million. This service helps reduce the time and paperwork associated with making super contributions for multiple employees across different super funds.

The new security feature, from 15 March 2024, will check whether an employee's SMSF bank account details match their SMSF records. Where there's a mismatch, or where an employee has not listed their bank account details, the employer will receive an "invalid super fund bank details" error on the SBSCH payment instruction. According to the ATO, where this error occurs, the SBSCH cannot accept payments to an employee's SMSF until the issue is resolved.

Once the discrepancy is resolved, employers will be able to update the employee's SMSF bank details in SBSCH and submit payment instructions. To avoid delays for other employees, however, the ATO notes that SBSCH payment instructions can still be submitted for employees with valid super fund details ahead of resolution of any individual discrepancy.

This security feature is just one of many that the ATO has been rolling out recently to safeguard retirement savings in SMSFs. For example, the ATO now sends rollover alerts to members of SMSFs when a super fund uses the SMSF verification service to verify a fund's details with the intention to roll super benefits into an SMSF. This can alert members of SMSFs to an unauthorised rollover so they can act to stop it.

**Important:** Clients should not act solely on the basis of the material contained in Client Alert. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Client Alert is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.