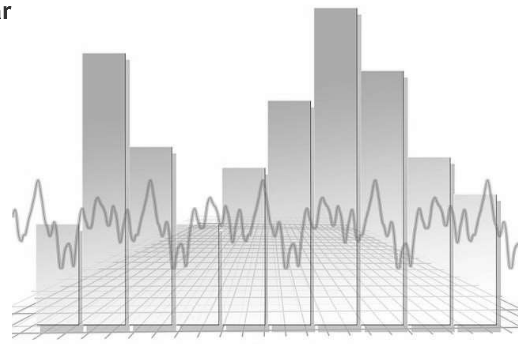
DEWINGS
ACCOUNTING + CONSULTING

Federal Government releases MYEFO with some tweaks

Federal Treasurer Jim Chalmers released the Mid-Year Economic and Fiscal Outlook (MYEFO) on Wednesday, and while there aren't usually a lot of headlines from these economic 'progress reports', there were a few announcements this time around that will affect some taxpayers.



The May Federal Budget had forecast a deficit of $13.9 billion for this financial year, but with surging revenues, particularly due to the high price of natural resources like iron ore, that has been revised to $1.1 billion - and even that may turn into a small surplus if things keep going as they are. This improvement is helped by a number of new revenue measures, including the following:

Deduction to be denied for ATO Interest Charges
Currently, the Tax Office charges a General Interest Charge (GIC) where a tax debt has not been paid on time, and a Shortfall Interest Charge (SIC) where a taxpayer has incorrectly self-assessed their tax liability and there is a shortfall. Both of these amounts, when paid, are currently tax deductible. From 1st July 2025, however, both GIC and SIC will no longer be eligible for a tax deduction. The Government says this will 'level the playing field' for those who do pay on time and get it right. Removing this deduction is estimated to save around $500 million over the next five years.

Foreign resident capital gains tax withholding scheme changes
The foreign resident capital gains tax withholding scheme helps to ensure that foreign residents pay their tax liabilities in the event that certain properties are sold, including real estate with a market value of $750,000 or more. It requires the purchaser of a property to 'withhold' 12.5% of the purchase price and pay it to the ATO, rather than handing it over to the vendor.

From 1st July 2025 the withholding rate will increase to 15%, and the threshold from which it applies will be reduced from $750,000 to $0. This effectively means that every sale of Australian property owned by a foreign resident will be caught, which increases the compliance requirements for Australian residents when buying, and also selling, real estate. For example, sellers who are Australian tax residents are taken to be foreign residents unless a clearance certificate is obtained from the ATO. This certificate will now be required for all property sales by Australian resident vendors.

Tightening of fuel-efficiency requirement for the Luxury Car Tax
Currently there are two thresholds for the imposition of the Luxury Car Tax (LCT). 'Fuel-efficient' vehicles attract the additional tax of 33% once the sale price of the vehicle exceeds $89,332. The threshold is much lower for other vehicles, at $76,950. The critical factor here then is what constitutes a 'fuel-efficient'

vehicle?

A fuel-efficient vehicle is currently defined as one with a maximum fuel consumption rating of 7 litres per 100 kilometres. From 1st July 2025, this requirement will be tightened to 3.5 litres per 100 kilometres. The Government suggests this measure will encourage the greater take-up of fuel-efficient vehicles, but it doesn't hurt that it is also estimated to increase receipts by $155 million over the next five years.

If you'd like to talk more about any of these announcements, please contact us.

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