

2023 Federal Budget Small business measures

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2023 Federal Budget Small business measures: On May 9, 2023, Treasurer Dr. Jim Chalmers gave the government its second budget. The Budget for 2023–2024 builds a stronger base for a better future. It deals with the problems Australians are having right now, makes it easier for people to take advantage of opportunities in our society, and sets the groundwork for a stronger and more stable economy in the future.



Federal Budget Impact on Taxation

Business owners can look forward to energy bill relief, cash flow support and an extension of the instant asset write-off as part of this year's Federal Budget measures.

\$20,000 instant asset write-off

From 1 July 2023 until 30 June 2024, the Government will temporarily increase the instant asset write-off threshold from \$1,000 to \$20,000. Small businesses with an aggregated annual turnover of less than \$10 million will be able to immediately deduct the full cost of

eligible assets costing less than \$20,000 that is 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.

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciate at 15% in the first income year and 30% each year thereafter. The provisions that prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out will continue to be suspended until 30 June 2024.

New Energy Incentive for small businesses

Small and medium businesses with an aggregated annual turnover of less than \$50 million will be able to deduct an additional 20% of the cost of eligible depreciating assets that support electrification and more efficient use of energy. Up to \$100,000 of total expenditure will be eligible for the Small Business Energy Incentive, with the maximum bonus deduction being \$20,000.

A range of depreciating assets and upgrades to existing assets will be eligible for the Small Business Energy Incentive. These will include assets that upgrade to more efficient electrical goods (such as energy-efficient fridges), assets that support electrification (such as heat pumps and electric heating or cooling systems), and demand management assets (such as batteries or thermal energy storage). Full details of eligibility criteria will be finalized in consultation with stakeholders.

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

Lodgment penalty amnesty program

A lodgment penalty amnesty program is being provided 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 28 February 2022.

Halving the increase in quarterly tax installments

The Government will amend the [tax law](#) to set the GDP adjustment factor for pay-as-you-go ('PAYG') and GST installments at 6% for the 2024 income year, a reduction from 12% under the statutory formula. The reduced factor will provide cash flow support to small businesses

and other PAYG installment taxpayers. The 6% GDP adjustment rate will apply to small businesses and individuals who are eligible to use the relevant installment methods (up to \$10 million aggregated annual turnover for GST installments and \$50 million aggregated annual turnover for PAYG installments), in respect of installments that relate to the 2024 income year and fall due after the enabling legislation receives Royal Assent.



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