

GMS Flash Alert

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Australia – Highlights of Federal Budget 2024-25: Tax, Superannuation, and Immigration

The Federal Budget 2024-25 was delivered by Australia's government on 14 May 2024.¹

The Budget contains several tax, superannuation, and immigration measures, including the highly anticipated Stage 3 of personal income tax cuts (originally announced in 2018).

To access analysis of the key measures and financial announcements from the 2024-25 Federal Budget and what it means for businesses and the economy, see "[Australian Federal Budget 2024](#)," a website of the KPMG International member firm in Australia dedicated to the Federal Budget. The government's full budget papers are available [here](#).

(For coverage of last year's Budget, see [GMS Flash Alert 2023-098](#), 12 May 2023.)

WHY THIS MATTERS

Changes to personal income tax and superannuation guarantee rates may require manual amendments to existing payroll processes and calculators for globally mobile employees.

Several migration announcements target cost-of-living relief for students and apprentices while investing in skills needed for the child-care, housing, construction, and energy sectors.

Employers should take care that tax and immigration aspects are considered as part of recruiting and retaining talent from overseas, in order to take full advantage of concessions and exemptions available. Careful planning can result in an increase in the value provided to employees with a reduction in costs borne by the employer.

Given the impact of the superannuation changes to the operation of Australian payroll/shadow payroll, these changes should be communicated to relevant stakeholders as soon as possible, to help ensure that payroll processes and software can be updated in a timely fashion.

Tax and Superannuation Key Highlights

Personal Income Tax Rates and Changes to Medicare Levy and Surcharge Income Thresholds

Stage 3 of the cost-of-living tax cuts initially announced in 2018 received Royal Assent on 5 March 2024 and featured in the Budget as planned.²

The legislated rate changes are such that from 1 July 2024, the tax cuts will:

(All dollar figures expressed are Australian dollars)

- reduce the 19 percent tax rate to 16 percent;
- reduce the 32.5 percent tax rate to 30 percent;
- increase the threshold above which the 37 percent tax rate applies from \$120,000 to \$135,000;
- increase the threshold above which the 45 percent tax rate applies from \$180,000 to \$190,000.

Taxable income	Current tax rates	Taxable income	Tax rates from 1 July 2024
Up to \$18,200	0	Up to \$18,200	0
\$18,201 to \$45,000	19%	\$18,201 to \$45,000	16%
\$45,001 to \$120,000	32.5%	\$45,001 to \$135,000	30%
\$120,001 to \$180,000	37%	\$135,001 to \$190,000	37%
From \$180,001	45%	From \$190,001	45%

Source: KPMG, Australia

The following table shows the tax savings arising for taxpayers following implementation of the revisions to the Stage 3 tax cuts. Individuals will start to see an increase in their take-home pay from July 2024.

Taxable income	Tax liability FY24	Tax liability FY25	Tax reduction
\$100,000	\$22,967	\$20,788	\$2,179
\$150,000	\$40,567	\$36,838	\$3,729
\$200,000	\$60,667	\$56,138	\$4,529

Source: KPMG, Australia

In addition, the government has increased the Medicare levy and surcharge income thresholds to reflect the increase in inflation. These legislative changes received Royal Assent on 5 March 2024, and were noted in the Budget.

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In the case of tax-equalised/-protected employees on assignment in Australia, subject to Australian tax law, these changes should reduce the cost to the employer in respect of those assignees in the medium-to-high-income-earning range.

Global-mobility teams will need to be ready to update for the rate changes from 1 July 2024, and income threshold changes from 1 July 2023, including amendment of cost estimates and gross-up calculations.

Superannuation on Government-Funded Paid Parental Leave

Greater economic inclusion for women is a focus of the Labor government's agenda and the Budget has confirmed announcements made in March 2024 regarding \$1.1 billion of funding over five years to pay superannuation on government-funded Paid Parental Leave. This will apply to births and adoptions on or after 1 July 2025.

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Further detail is to be provided on the mechanism for the delivery of the benefit, but there is a potential impact to payroll system configuration.

Superannuation Changes (Not Part of This Year's Federal Budget)

While not a Budget announcement from this year, it is worth remembering that the compulsory Superannuation Guarantee rate is currently legislated to gradually increase 12 percent via incremental increases each financial year.³ The next increase in the rate will be from 11 percent to 11.5 percent from 1 July 2024.

Additionally, the maximum super contributions base is set to increase from \$62,270 per quarter to \$65,070 per quarter from 1 July 2024.

Finally, note that the concessional contributions cap is set to increase to \$30,000 from 1 July 2024. Previously, from 1 July 2021 to 30 June 2024, the cap for each year was \$27,500.

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These higher contribution levels may increase assignment costs for employers depending on the structure of the international assignment package. As with the tax cuts above, global-mobility teams may need to adjust manual calculators and payroll systems for changes.

Payday Superannuation (not part of this year's Federal Budget)

In 2023 it was announced that from 1 July 2026, employers will be required to pay their employees' superannuation at the same time as their salaries and wages.⁴ Currently, compliance with mandatory superannuation contribution requirements is assessed on a quarterly basis.

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Under current rules, Superannuation Guarantee contributions for each quarter must be made by 28 January, 28 April, 28 July, and 28 October. While some employers already contribute superannuation at or around the same time that salary and wage payments are made, many either align with the statutory due dates or undertake a reconciliation process to help ensure the minimum requirements have been met on a quarterly basis. In practice, due to the complexity of considering foreign payroll information, the quarterly due date has allowed employers with globally-mobile workforces some flexibility in timing of superannuation contributions (provided the quarterly due dates are met).

As such, KPMG in Australia anticipates the timing of contributions could be challenging where foreign compensation data is required to be analysed as an input to the calculation. KPMG has provided a response to Treasury and the ATO's request for consultation and further announcements are expected to provide clarity on how this is to apply in practice.

Immigration: Key Highlights

Migration Program Planning

Net overseas migration is forecast to decrease from 528,000 in 2022-23 to 260,000 in 2024-25. Levels for the permanent migration program have been set at 185,000 places with 132,200 (70 percent) places allocated to the Skilled stream. From 2025-26, the government will extend the planning horizon for the permanent Migration Program from one year to four years.

Temporary Skilled Shortage Visa

From 23 November 2024, the government will reduce the work experience requirement for the Temporary Skill Shortage (Subclass 482) visa from two years to one year. This change will result in more foreign nationals being eligible to apply for this visa, including recent graduates.

Enhanced Compliance and Integrity

As foreshadowed in the government's Migration Strategy (released in December 2023) (for prior coverage, see [GMS Flash Alert 2023-240](#), 11 December 2023), there is a strong focus on reforming Australia's migration system to drive greater economic prosperity and restore migration program integrity. Key measures include:

- \$100 million will be provided to the Department of Home Affairs in 2024-25 to support Australian Border Force operations and immigration compliance activities;
- \$15 million over three years from 2024-25 for information and education activities to provide migrant workers with accurate and appropriate information about workplace safeguards, protections, and migration compliance measures;
- \$1.9 million in 2024-25 to conduct a data-matching pilot between the Department of Home Affairs and the Australian Taxation Office focusing on income and employment data to mitigate exploitation of migrant workers and abuse of Australia's labour market and migration system.

New and Enhanced Immigration Pathways

The government will introduce a new National Innovation visa in late 2024 to attract exceptionally talented migrants and replace the Global Talent visa and the Business Innovation and Investment Program (BIIP). The Business Innovation and Investment visa program (BIIP) will cease, with refunds of the visa application charge provided from September 2024 for those who wish to withdraw their BIIP application.

Funding of \$1.1 million over two years from 2023-24 will be invested to improve visa access and provide long validity business and frequent traveller visas for ASEAN member countries and Timor-Leste.

As part of the Migration and Mobility Partnership Arrangement (MMPA) between Australia and India, the government will:

- implement the new Mobility Arrangement for Talented Early-professionals Scheme (MATES) program for Indian nationals from 1 November 2024; and
- lengthen the validity of the Visitor (Subclass 600) visa under the Business Visitor stream for Indian nationals from up to three years to up to five years.

Construction Industry

According to industry feedback, there has been a significant shortage of construction workers in recent years due to closed borders and skilled construction workers leaving the industry during the COVID-19 pandemic, as well as competition from infrastructure projects. This has impacted the construction of more homes quickly and driven up the cost of labour.

The government's response to this challenge is to invest \$88.8 million to grow the pipeline of construction workers through 20,000 additional fee-free TAFE and pre-apprenticeship places. The government will provide \$1.8 million to deliver streamlined skills assessments for around 1,900 migrants from comparable countries to work in Australia's housing construction industry.

Regional Australia

The 2024-25 permanent Migration Program planning level is set at 185,000 places, with 33,000 of these places allocated for permanent regional visas. This is a significant increase from the 11,200 places in 2020 - 21, reflecting the government's commitment to supporting regional development and growth.

Skilled regional migration addresses critical skill shortages by filling skills gaps and transferring specialist skills and knowledge that are difficult to develop locally, which supports continued growth of essential services infrastructure and regional industries.

There is also an ongoing commitment by the government to integrate migrants into regional communities and continue to enhance efforts to combat the exploitation of migrant workers.

Work and Holiday Visa

From 2024-25, the government will introduce a visa ballot process for the capped Work and Holiday (Subclass 462) visa program for applicants from the People's Republic of China, Vietnam, and India. The ballot process will help to manage program demand and application processing times for these countries. A ballot charge of \$25 (indexed for CPI each year) will apply.

International Students

Australia's growing international education sector requires an adequate supply of purpose-built student accommodation to foster its ongoing sustainability. To deliver more accommodation for students and to reduce pressure on the private rental market, the government will work with the higher education sector to develop regulations that will require universities to increase their supply of student accommodation.

Following consultation with the sector, the government will set limits for how many international students can be enrolled by each university based on factors including how much student accommodation they provide. The government will require universities to establish new, purpose-built student accommodation should they wish to increase international student enrolments above their initial allocation. Any new accommodation built will be available to both local and international students.

This reform is designed to create more student housing, reduce pressure on house prices and rents in Australian cities, and help universities to continue to benefit from the overseas student market.

Administrative Appeals Tribunal

The government will provide \$1 billion over five years from 2023-24 to establish and support the sustainable operation of the new Administrative Review Tribunal (ART), replacing the Administrative Appeals Tribunal (AAT), and to address court backlogs associated with high numbers of applications for judicial review of migration decisions.

Skills Assessments for Trades

The government will progress a business case to develop a modern Information Communications Technology ("ICT") solution for the assessment of trade skills for skilled migrants by Trades Recognition Australia. A modern ICT solution will make skilled workers more rapidly available to employers and support delivery of the government's migration and skilled workforce objectives.

Immigration Detention

The Department of Home Affairs has negotiated arrangements with some state and territory governments for the provision of various services (including health, corrective, and policing services) to immigration detention facilities and people in immigration detention.

The government will provide funding over three years from 2024-25 (including capital funding) to improve security at the Yongah Hill Immigration Detention Centre.

Women's Budget Measures

Temporary visa holders will continue to be able to access legal support services for migration and family law issues with funding being extended for a further five years.

The government will provide \$15 million over three years from 2024-25 for information and education activities to provide migrant workers with accurate and appropriate information about workplace safeguards, protections and migration compliance measures. This will empower migrant women, who are over-represented in insecure work, to report allegations of worker exploitation without fear of reprisals. The government also will provide \$3.8 million over four years from 2024-25 to continue conversational English classes in Community Hubs. These classes remove a barrier for many migrant women accessing English-language support through the provision of on-site child-minding facilities.

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Whilst net overseas migration is forecast to halve in 2024-25, the focus is on skilled migrants who will drive growth in sectors of national importance through existing and new visa options as employers will continue to rely on skilled foreign talent.

This will be balanced by increased enforcement and compliance measures aimed to improve the integrity of Australia's migration program. The data-sharing pilot involving the Australian Taxation Office and the Department of Home Affairs heightens the importance of employers appropriately setting their internal risk management and compliance measures, and making sure that immigration is managed holistically as part of wider workforce management.

FOOTNOTES:

1 For the Budget and related documents, see: <https://budget.gov.au/index.htm> .

For related coverage, see [GMS Flash Alert 2023-098](#), 12 May 2023.

2 The Treasury, "[Tax cuts to help with the cost of living](#)."

3 ATO, "[Super guarantee: Find out about the rates and how to avoid the super guarantee charge \(SGC\)](#)."

4 ATO, "[Payday superannuation: From 1 July 2026, employers will be required to pay their employees' super at the same time as their salary and wages](#)."

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A\$1 = €0.615
A\$1 = US\$0.669
A\$1 = C\$0.91
A\$1 = £0.526
A\$1 = ¥104.13

Source: www.xe.com

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