



GENDER LENS ON THE 2024 BUDGET

Key policy in discussion	Taxation
Portfolio and or agency	Treasury; Industry
Date Issued	26 May 2024
Key author/s of this budget analysis:	Professor Helen Hodgson Curtin Law School
Chair, Social Policy Committee NFAW:	Prof. Helen Hodgson: h.hodgson@tpg.com.au

Key Portfolio Issues

The Budget reflects the “Stage 3” tax cuts that been reshaped to apply more equitably across all income levels. High income earners receive a lower benefit than under the former plan, with lower income earners also receiving a tax cut.

This is the centrepiece of the cost of living measures in the Budget.

The restructured tax cuts will benefit women as they tend to be overrepresented in the lower income tax brackets, as a consequence of the gender pay gap and lower workforce participation rates. This links to [Priority Area 3 in Working for Women: A Strategy for Gender Equality](#).

The Small Business \$20,000 instant tax write-off will be continued for businesses with a turnover of less than \$10 million.

The largest tax measure is in the Future Made in Australia initiative that will provide production tax credits to the Critical Minerals and Renewable Hydrogen industries from 2027-28.

The National Foundation for Australian Women is a feminist organisation, independent of party politics and working in partnership with other women’s organisations. NFAW is dedicated to promoting and protecting the interests of Australian women, including intellectual, cultural, political, social, economic, legal, industrial and domestic spheres.

Budget Measures

Personal Income Tax – Cost of Living Tax Cuts

Receipts (\$m)	2023-24	2024-25	2025-26	2026-27	2027-28
Australian Taxation Office	-	1,260.0	-1,630.0	-920.0	-10.0

Source: Budget Paper No 2, p. 12

This is the major item in the cost of living relief delivered by the Budget. The measures will cost \$1.3 billion over five years and have already been legislated to take effect from 1 July 2024. Notably there is an increase in tax in the first year, 2024-25. This is accounted for by a combination of bracket creep as wages increase and increased labour market participation as a result of the lowering of the tax rates. Notably, decisions in the social services portfolio that encourage increased labour market participation by pensioners and carers also result in increased personal income tax collections.

Medicare levy thresholds are also indexed with the low income threshold for single persons increasing to \$26,000; single seniors to \$41,089; with families \$43,846 + \$4,027 per child and senior families \$57,198 + \$4,027 per child.

Gender implications of this budget measure

The restructuring of the Stage 3 tax cuts goes some way to restoring progressivity in the taxation system. The [Tax Package introduced in the 2019-20 Budget](#) consisted of three stages: the introduction of the Low and Middle Income Tax Offset (LMITO) to assist taxpayers earning less than \$125,333pa; followed by changes to tax brackets in 2022 and 2024 that would primarily assist high income earners. The LMITO was to be withdrawn in 2022 on the basis that changes to tax rates would compensate for the removal of the offset.

The plan was overly ambitious, regressive and was criticised at the time in our Gender Lens on the Budget report as impacting negatively on women. It was also staged to be introduced over a period that was longer than the Budget estimates, and therefore locked in changes without reference to changing economic conditions. The pandemic relief packages that were introduced destroyed the progression of the package, resulting in adverse outcomes for taxpayers earning less than \$125,000pa as the LMITO was withdrawn.

The removal of the Low and Middle Income Tax Offset from 1 July 2022 resulted in many women paying more tax than in previous years. The Budget papers note that the average tax cut under the revised structure is \$1,888, which is slightly more than the LMITO of \$1,500. The restructured Stage 3 tax cuts will go some way to addressing this, but for taxpayers earning less than \$73,000pa, the tax cut is less than the offset removed in 2022. The latest tax statistics, for the 2020-21 year, are not directly comparable due to changes in the labour market but in that year 67 per cent of women reported a taxable income of less than \$73,096.

We note that the [effect of the taxation system on women](#) is an indirect effect that is an [outcome of the gender pay gap](#). Reducing the Gender Pay Gap falls under [Priority Area 3 in](#)

[Working for Women: A Strategy for Gender Equality](#). As the gender pay gap reduces, the bias in the income tax system will also be reduced. However this exposes women to bracket creep as wages are equalised. This is particularly relevant to workers in the care sector who have finally started to see increases in pay that recognise the value of their work.

The lack of progressivity in the income tax system is particularly significant to low income worker. Women who experience [multiple disadvantages](#), including migrant and ATSI women, experience higher pay gaps.

There are also effects that emerge from the spending and saving patterns of men and women, whereby [men are known to have more capacity to save](#). While there are no substantive decisions on GST in this budget, overall the gendered effect of women spending on household goods and services should also be included in discussion of tax reform.

While the restructuring of the personal income tax rates is welcome, the Budget does not take the opportunity to address longer term tax reform. The most significant [tax expenditures](#) remain those related to superannuation and capital gains tax concessions, both of which favour males with higher incomes or wealth, as shown in the distributional analysis in the [2023-24 Tax Expenditures and Insights Statement](#), (pp 13 – 19).

Small Business Support – \$20,000 instant asset write-off

Receipts (\$m)	2023-24	2024-25	2025-26	2026-27	2027-28
Australian Taxation Office	-	-	-670.0	-60.0	440.0

Source: Budget Paper No 2, p. 14

This measure is an extension of the existing measure that allows a small business to deduct the total cost of an asset when purchased instead of depreciating that asset. The eligibility turnover threshold is \$10 million. However it is worth noting that as at 16 May 2024 the [Treasury Laws Amendment \(Support for Small Business and Charities and Other Measures\) Bill 2023](#) implementing this measure from the 2023-24 Budget had not yet passed through Parliament, with proposed changes to increase the turnover threshold and the maximum value of the asset. The final form of this measure may depend on the outcome of the 2023 Bill.

Gender implications of this budget measure

This measure will support businesses that meet the criteria. We note that this measure has been in the tax system for many years, but the thresholds for business turnover and asset cost change year by year, creating challenges for businesses that are planning to invest in business assets.

There is no distributional analysis of this measure available, although we note that [in 2023 women only accounted for about 35 per cent of small business owners](#) (p. 11). We also note that a business must be able to afford to purchase the asset to be eligible for the discount.

Future Made in Australia – Making Australia a Renewable Energy Superpower

Payments (\$m)	2023-24	2024-25	2025-26	2026-27	2027-28
Australian Taxation Office	-	-	0.4	-	500.0

Source: Budget Paper No 2, p. 67

This measure supports the critical minerals and renewable hydrogen industries through production tax credits.

The Critical Minerals Production Tax Incentive to support refining and processing of critical minerals in Australia will commence in 2027-28. The estimated cost is \$7.0 billion over the first 11 years, followed by \$1.5 billion pa until the end of the programme.

The renewable hydrogen Production Tax Incentive to producers of renewable hydrogen is estimated to cost \$6.7 billion over ten years from 2024–25 followed by \$1.1 billion each year until 2040-41.

There is limited information on the structure of these incentives but it is expected that the Critical Minerals incentive will be based on a refundable tax offset while the hydrogen incentive will be based on the amount of hydrogen produced.

Gender implications of this budget measure – see Future Made in Australia

Tax Compliance

As usual, there are a number of tax compliance measures estimated to raise \$5,210.5 million at a cost of \$1,585.8 million over the forward estimates ([Budget Paper No 2](#), p. 5, 38, 2024-25).

Gender implications of this budget measure

Fraud prevention is a significant issue across the community. Women in abusive relationships are frequently the victims of coercive control, including the [abuse of the tax system through fraud perpetrated by their partner](#). The taxation system does not adequately recognise and protect women in these circumstances, for example a women may be issued a Directors Penalty Notice in respect of a company where she has had no involvement in the operations of the company, and may not even know that she is a director.

Recommendations

NFAW calls for:

- The changes to personal income tax rates from 1 July 2024 are welcome, but they do not go far enough to address the gender bias in the Australian Taxation system.
- Base broadening measures that should be implemented include reducing negative gearing benefits; reducing the capital gains tax discount and redesigning taxation concessions in the superannuation system.
- Fraud and compliance programs implemented by the ATO must be designed with an understanding of coercive control and appropriate remedies must be incorporated in the design.