

# Government Intends to Deny Deductions for Late Tax Payment Interest

18 December 2023

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The Treasury has released the [2023/24 Mid-Year Economic and Fiscal Outlook](#) (MYEFO), which is an update on the economic and fiscal outlook since the previous budget. The MYEFO also includes measures that the government intends to announce in the next budget.

In the documents that were made available on 13 December 2023, the government announced that it plans to deny deductions for Australian Taxation Office (ATO) interest charges, specifically the general interest charge (GIC) and shortfall interest charge (SIC), incurred in income years starting on or after 1 July 2025.

The GIC and SIC are incurred where tax debts have not been paid on time, or a tax liability has been incorrectly self-assessed and resulted in a shortfall of tax paid, respectively. Both GIC and SIC are currently tax deductible for all entities.

The MYEFO also contains other policy decisions taken since the 2023/24 Budget that will affect tax receipts, including increasing the foreign resident capital gains withholding tax rate from 12.5% to 15% and removing the withholding threshold of AUD 750,000. The changes will apply to real property disposals with contracts entered into from 1 January 2025.

The government will also modernize the luxury car tax by tightening the definition of a fuel-efficient vehicle and updating the indexation rate for the taxable value threshold for all other luxury vehicles, to encourage greater take-up of fuel-efficient vehicles such as electric vehicles.

The mid-year update forecasts growth to moderate in 2023/24 as higher interest rates, high but moderating inflation and global pressures continue to weigh on the domestic economy, but economic growth is expected to regain momentum in 2024/25 with inflation projected to return to the target band. The fiscal position has strengthened with a forecast deficit of AUD 1.1 billion in 2023/24, an improvement of AUD 12.8 billion since the 2023/24 Budget in May 2023, and the underlying cash balance has improved by a cumulative AUD 39.5 billion over the four years to 2026/27.

