

Federal Budget Update – May 2023

FMD Financial – Federal Budget Update – May 2023

INTRODUCTION

The Federal Treasurer Jim Chalmers took 31 minutes to announce his first full year budget for the Albanese Labor Government last night as he tried to thread his way through the balancing act of providing more for those in the community most negatively impacted by rising inflation without fuelling inflation itself.

The small increase to JobSeeker Payments across the board and further benefits for over 55's is probably more than some were expecting, but less than the community sector sought. The proposed changes were made more palatable by the windfall growth in revenue from the ongoing conflict in the Ukraine driving iron ore, coal and gas prices higher, alongside low unemployment reducing expenditure.

This has led to a forecast of a surplus for FY24 – the first in 15 years – but things can change quickly as we saw following the 2019 Josh Frydenberg “Back-in Black” budget, so we'll reserve our judgement.

From a financial advice and superannuation perspective, the good news so to speak is that there are no further announcements beyond the already flagged reduction in tax concessions to individuals with a total superannuation balance exceeding \$3 million, that will apply from 2025.

HOW DOES THE BUDGET IMPACT YOU?

We have prepared the following summary of the most relevant changes to FMD clients, but as always, please speak to your FMD adviser if you have any questions about the possible impact to your personal circumstances.

SUPERANNUATION

\$3m Total Super Balance Tax

As was pre-announced, there will be an increase to the investment earnings tax from 15% to 30% incurred on super balances in excess of \$3 million. No further detail or clarity was provided last night on how this will be derived, and planned changes are due to be effective from 1 July 2025. If these changes may affect you, we will be in contact once legislation has been introduced to parliament to determine the impact and potential actions.

Pension Minimum Requirements

There was no mention of extending the COVID-induced 50% reduction in minimum pension payments which have been in effect since FY2019-20. As a result, we expect a return to

the standard pension minimums from 1 July 2023. If you are currently drawing the minimum requirement this will result in your pension payments roughly doubling from July this year.

Transfer Balance Cap Indexation

There was some speculation that the government may freeze the Transfer Balance Cap indexation, however there was no mention of this last night. As a result, the Transfer Balance Cap will increase from \$1.7m to \$1.9m on 1 July. If you are considering commencing an account-based pension, it may be worth waiting until 1 July to capture the indexation.

COST OF LIVING

Electricity Bill Relief

For FY24, pensioners, veterans, concession card holders and those on government support payments will receive up to \$500 in electricity bill relief. State and territory governments, alongside energy retailers, will deliver the rebate to eligible individuals through a reduction in their energy bills.

If you are not currently a Commonwealth Seniors Health Card or Low-Income Health Care Card holder, this is another reason to review your eligibility. For more information see our guide '[How to manage your Centrelink benefits online](#)' to access useful guides on claiming Centrelink entitlements.

In addition to the electricity bill relief, homeowners will have access to a number of low-cost loans to access energy-saving upgrades such as battery-ready solar panels, modern appliances and other energy efficiency improvements.

Low Income Renters

Commonwealth Rent Assistance (CRA) payments will increase by 15% from 20 September for low income earners; it is estimated that 1.1 million Australians are eligible for this additional financial support.

HOME OWNERSHIP AND AFFORDABILITY

Significantly impacting home ownership affordability is near impossible for any government without taking on the electoral death issues of negative gearing or the CGT-free family home, nonetheless the government is trying.

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Home Guarantee

The government will expand eligibility for the various home buyer guarantee schemes to provide support to those with limited savings to purchase a home. This assistance will be available to those buying their first home, or for single parents looking to buy a family home, allowing those eligible to purchase a home with lower deposit levels.

Housing Future Fund

The government previously announced their Housing Future Fund, an investment of \$10 billion with the earnings being used to provide affordable and social housing. This bill is yet to receive support within parliament.

Build to Rent

The government will also update the tax measures around build-to-rent developments, incentivising the construction of more rental properties to ease the pressure on rental markets.

SMALL BUSINESS

Asset Write-Off

A surprise announcement was the re-vitalisation of the instant asset write-off, up to a threshold of \$20,000 – allowing small businesses (with turnover under \$10m) to write off the value of new equipment installed/first used in the 23/24 Financial Year. This threshold will apply on a per asset basis, so small businesses can instantly write off multiple assets.

Quarterly Income Tax and GST Payments

The adjustment factor applied to Pay As You Go (PAYG) and GST instalments was scheduled to increase from 2% to 12%, for FY24. This will now only be increased to 6%, which is intended to improve (make less worse?) the cashflow position of eligible small businesses.

Energy Incentive

The government will support small and medium businesses to save on energy bills through incentivising the electrification of assets and improvements to energy efficiency. Small businesses can access deductions of 20% for eligible depreciating assets that support electrification and more efficient use of energy – up to a maximum deduction value of \$20,000.

OLDER AUSTRALIANS

Healthcare

The government is also aiming to provide relief to the cost of living through affordable healthcare. This includes \$3.5 billion dollars over 5 years to triple bulk-billing incentives for eligible patients including pensioners and other Commonwealth Concession Card Holders, including the Commonwealth Seniors Healthcare Card.

In addition, they have proposed changes to the Pharmaceutical Benefits Scheme (PBS) to double the length of prescriptions for selected medications, reducing visits to the pharmacy and saving the PBS up to \$180 per year per prescription.

Aged Care Reform

The government has committed to fund the Fair Work Commission's recommended 15% increase in award wages for Aged Care workers. This increase is part of ongoing reforms in the aged care sector following the Royal Commission into Aged Care Quality and Safety. Treasurer Chalmers said it aims to help 'retain, reward and recruit' staff to the industry which has faced long-term problems with labour hire at odds with pressure to increase quality of care via staffing ratios.

Other Aged Care announcements included \$300m in additional funding to implement the recommendations from the Royal Commission, and a reduction in residential care ratios that is designed to deliver a saving of \$2.2 billion dollars over three years and work in tandem with the rise in in-home care packages.

Although no changes to Aged Care Fees have been announced, it was indicated this may be reviewed when the new Aged Care Act is announced in 2024.

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