



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

BUDGET WRAP

2022-23



Contents

Overview	3
The Economy	3
Financial Planning	3
Tax	4
Cost of Living Tax Offset (Low and Middle Income Tax Offset)	4
Personal Income Tax - Increasing the Medicare Levy Low-income Thresholds	4
Personal Income Tax	4
Temporary reduction in fuel excise	5
Business Support	6
Small business - skills and training boost	6
Small business - technology investment boost.....	6
Superannuation & Retirement	7
Extension of the temporary reduction superannuation minimum drawdown rates.....	7
Superannuation Thresholds.....	7
Affordable housing and home ownership	8
Social Security	9
Workforce participation and the Age Pension	9
Cost of Living Payment	9
Pharmaceutical Benefits Scheme	9
Regulators	10
ASIC	10
Digital Economic Strategy	10
Consumer Data Right.....	10
Women's Economic Security	10
Paid Parental Leave.....	10
Facilitating job options	11



OVERVIEW

The Economy

The Treasurer has delivered a budget that focuses on key spending measures to drive Australia's economic recovery in a post-pandemic, natural disaster and conflicted international environment. The Government's message in the lead up to the election has centred around job creation, temporary stimulus to low and middle income Australians, as well as infrastructure and regional recovery spending measures.

The budget position has improved dramatically from the forecasts delivered in the Mid-Year Economic and Fiscal Outlook (MYEFO) in late 2021. The deficit for 2022-23 is now expected to be \$67.5 billion (down from \$161 billion). This is largely due to a much stronger rebound in employment than was expected at the height of the pandemic last year. Revenue has also received a boost from strong household incomes, a tightening labour market, higher average wages driving stronger personal income tax and GST receipts, as well as strong bulk commodity prices.

There are also a number of measures which will take effect immediately or soon, which are aimed at addressing the cost-of-living challenges currently facing Australians.

This budget is focused on maintaining the strong economic growth and employment following the easing of pandemic restrictions across the nation. It also includes pre-election boosts to Australians through a cut in fuel excises, lump sum payments to social security recipients, as well as strong infrastructure and disaster recovery spending. While there is no forecast of a budget surplus over the forward estimates, there is a strong focus on the reduction of government debt to manageable levels as a result of controls on Government expenditure.

Financial Planning

Of note to financial advice, there have been few budgetary measures which will affect client strategies. However, the minimum pension drawdown amounts have been maintained for another financial year at the 50% level. There has also been a further extension to the Low to Middle Income Tax Offset (LMITO), which will benefit many clients.

Financial planning practices will also benefit from a number of small business tax deductions being provided for formal training programs offered outside the business, as well as support for digital adoption costs including cyber security protection and cloud based subscriptions. Additionally, as previously announced the freezing of the ASIC cost recovery levy for the financial advice sector is continuing and support for the reviews focusing on advice quality is ongoing.

In a positive outcome, additional funding has been proposed to improve the operation of the consumer data right framework which offers significant opportunity for the delivery of digital fact finding and ongoing advice over the coming years.

In short, financial planning practices can continue their focus on their businesses, and benefit from knowing there will be little regulatory change affecting advice services over the coming financial year.

TAX

Cost of Living Tax Offset (Low and Middle Income Tax Offset)

The low and middle income tax offset (LMITO) will be increased for the 2021-22 income year to assist with cost of living pressures.

The LMITO for the 2021-22 income year will be paid from 1 July 2022 when Australians submit their tax returns for the 2021-22 income year. This proposal will increase the LMITO by \$420 for the 2021-22 income year. This increases the maximum LMITO benefit in 2021-22 to \$1,500 for individuals and \$3,000 for couples.

Other than those that do not require the full offset to reduce their tax liability to zero, all LMITO recipients will benefit from the full \$420 increase. All other features of the current LMITO remain unchanged. Consistent with the current LMITO, taxpayers with incomes of \$126,000 or more will not receive the additional \$420.

Personal Income Tax – increasing the Medicare Levy low-income thresholds

The Medicare levy low-income thresholds for seniors and pensioners, families and singles will be increased from 1 July 2021. The increase in thresholds takes account of recent movements in the consumer price index so that low-income individuals continue to be exempt from paying the Medicare levy.

	Old threshold	New threshold
Singles	\$23,226	\$23,365
Family	\$39,167	\$39,402
Single Seniors and Pensioners	\$36,705	\$36,925
Family Seniors and Pensioners	\$51,094	\$51,401
Dependent Child or Student	+\$3,597	+\$3,619

Personal Income Tax

There is no change to the personal income tax rates.

Temporary reduction in fuel excise

The excise and excise-equivalent customs duty rate that applies to petrol and diesel will be halved for 6 months to reduce the burden of higher fuel prices. The excise and excise-equivalent customs duty rates for all other fuel and petroleum-based products, except aviation fuels, will also be reduced by 50 per cent for 6 months.

The measure will commence from 12.01am on 30 March 2022 and will remain in place for 6 months, ending at 11.59pm on 28 September 2022. Under the measure, existing policy settings for fuel excise and excise-equivalent customs duty, including indexation in August, will continue but on the basis of the halved rates. At the conclusion of the 6 month period the rates will then revert to previous rates, including indexation that would have occurred on those rates during the 6 month period.

The rate of excise and excise-equivalent customs duty currently applying to petrol and diesel is 44.2 cents per litre. This measure will halve the rate on petrol and diesel to 22.1 cents per litre from 30 March 2022, with the price faced by consumers expected to be reduced by a larger magnitude given GST will be levied on the lower excise rate.

The Australian Competition and Consumer Commission (ACCC) will monitor the price behaviour of retailers to ensure that the lower excise rate is fully passed on to Australians.

BUSINESS SUPPORT

Small business – skills and training boost

Small businesses (with aggregated annual turnover of less than \$50 million) will be able to deduct an additional 20 per cent of expenditure incurred on external training courses provided to their employees. The external training courses will need to be provided to employees in Australia or online, and delivered by entities registered in Australia.

Some exclusions will apply, such as for in-house or on-the-job training and expenditure on external training courses for persons other than employees.

The boost for eligible expenditure incurred by 30 June 2022 will be claimed in tax returns for the following income year. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2024, will be included in the income year in which the expenditure is incurred.

The boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2024.

Small business – technology investment boost

Small businesses (with aggregated annual turnover of less than \$50 million) will be able to deduct an additional 20 per cent of the cost incurred on business expenses and depreciating assets that support their digital adoption, such as portable payment devices, cyber security systems or subscriptions to cloud-based services.

An annual cap will apply in each qualifying income year so that expenditure up to \$100,000 will be eligible for the boost.

The boost for eligible expenditure incurred by 30 June 2022 will be claimed in tax returns for the following income year. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2023 will be included in the income year in which the expenditure is incurred.

The boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2023.

SUPERANNUATION & RETIREMENT

Superannuation Thresholds from 1 July 2022 to 30 June 2023 (changes only)

Transfer Balance Cap	\$1,700,000
Concessional Contribution Cap	\$27,500
Non-concessional Contribution Cap	\$110,000 or \$330,000 over 3 years
CGT cap amount	\$1,650,000
Low rate cap	\$230,000
Untaxed Plan cap	\$1,650,000
Account based pension payments	50% reduction continued for 2022/23 FY
Superannuation Guarantee	10.5%
Maximum Super Contribution Base	\$60,220 (per quarter)
Government Co-contribution (\$500)	Lower income threshold - \$42,016 Upper income threshold - \$57,016

Extension of the temporary reduction in superannuation minimum drawdown rates

The 50 per cent reduction of the superannuation minimum drawdown requirements for account-based pensions and similar products is extended for a further year to 30 June 2023.

The minimum drawdown requirements determine the minimum amount that a retiree has to draw from their superannuation each year in order to qualify for tax concessions. Given ongoing volatility, this change will reduce the need for retirees to sell assets in order to satisfy the minimum drawdown requirements.

AGE	LEGISLATED MINIMUM	2019-20 TO 2022-23 INCOME YEARS (INCLUSIVE)
UNDER 65	4.0%	2.0%
65-74	5.0%	2.5%
75-79	6.0%	3.0%
80-84	7.0%	3.5%
85-89	9.0%	4.5%
90-94	11%	5.5%
95 OR MORE	14%	7.0%

AFFORDABLE HOUSING AND HOME OWNERSHIP

The number of guarantees under the Home Guarantee Scheme will increase to 50,000 per year for 3 years from 2022-23 and then 35,000 a year ongoing to support homebuyers to purchase a home with a lower deposit. The guarantees will be allocated to provide:

- ▶ 35,000 guarantees per year ongoing for the First Home Guarantee (formerly the First Home Loan Deposit Scheme)
- ▶ 5,000 places per year to 30 June 2025 for the Family Home Guarantee
- ▶ 10,000 places per year to 30 June 2025 for a new Regional Home Guarantee that will support eligible citizens and permanent residents who have not owned a home for 5 years to purchase a new home in a regional location with a minimum 5 per cent deposit.

This will come at a cost of \$8.6 million over 4 years from 2022-23 and \$138.7 million over 7 years from 2026-27, with \$20.5 million per year ongoing from 2033-34.

The Government guaranteed liability cap of the National Housing and Finance Investment Corporation (NHFIC) will be increased by \$2.0 billion to \$5.5 billion to enable NHFIC to support increased loans through the Affordable Housing Aggregator, which increases support for affordable housing.

SOCIAL SECURITY

Cost of Living Payment

\$250 economic support payments will be made to help eligible recipients with higher cost of living pressures. The payment will be made in April 2022 to eligible recipients of the following payments and to concession card holders:

- ▶ Age Pension
- ▶ Disability Support Pension
- ▶ Parenting Payment
- ▶ Carer Payment
- ▶ Carer Allowance (if not in receipt of a primary income support payment)
- ▶ Jobseeker Payment
- ▶ Youth Allowance
- ▶ Austudy and Abstudy Living Allowance
- ▶ Double Orphan Pension
- ▶ Special Benefit
- ▶ Farm Household Allowance
- ▶ Pensioner Concession Card (PCC) holders
- ▶ Commonwealth Seniors Health Card holders
- ▶ Eligible Veterans' Affairs payment recipients and Veteran Gold card holders.

The payments are exempt from taxation and will not count as income support for the purposes of any income support payment. A person can only receive one economic support payment, even if they are eligible under 2 or more of the categories outlined above. The payment will only be available to Australian residents.

Pharmaceutical Benefits Scheme – lowering the Safety Net threshold

In additional support to ease the cost of living pressures, from 1 July 2022, the PBS Safety Net thresholds will be reduced from \$1,542.10 to \$1,457.10 for general patients and from \$326.40 to \$244.80 for concessional patients.

As a result of these changes, concessional patients will reach the PBS Safety Net with approximately 12 fewer scripts per year, and two fewer scripts for general patients in a calendar year. On reaching the PBS Safety Net, concessional patients receive their PBS medicines at no cost for the rest of the calendar year and general patients receive their PBS medicines at the concessional co-payment rate which is currently \$6.80 per prescription. The change to the Safety Net thresholds will take effect from 1 July 2022.

Workforce participation and the Age Pension

\$1.9 million over 5 years from 2021-22 will be provided to extend the pension suspension period and Pensioner Concession Card access period to 2 years for pensioners that receive a nil payment due to their partner's employment income or working hours, where this has also resulted in the suspension of their partner's pension for up to 2 years.

REGULATORS

ASIC

ASIC staffing numbers will be reduced from 1,972 during 2021/22 to 1,849 through the 2022/23 financial year.

ASIC's budget is projected to be reduced from \$656M in 2021/22 to \$588M for the 2022/23 financial year.

DIGITAL ECONOMIC STRATEGY

Consumer Data Right

The Consumer Data Right (CDR) will enable consumers to save time and effort in switching to more competitive and personalised products and services, and instruct trusted third parties to take actions on their behalf, including professionals such as financial planners.

Funding will be increased by \$38.4 million over 3 years from 2022-23, and \$12.6 million per year ongoing from 2025-26 to implement the Government's response to the Inquiry into the Future Directions for the Consumer Data Right.

WOMEN'S ECONOMIC SECURITY

Supporting women's economic security and leadership – Paid Parental Leave

Paid parental leave measures include:

- ▶ \$346.1 million over 5 years to introduce an enhanced Paid Parental Leave scheme for eligible working families by integrating Dad and Partner Pay and Parental Leave Pay to provide eligible families access to up to 20 weeks leave to use in ways that suit their specific circumstances.
- ▶ broadening the income test to include an additional household income threshold of \$350,000 to further support workforce participation, particularly for women who are the primary earner.
- ▶ eligible single parents will be able to access an additional 2 weeks of Paid Parental Leave and also benefit from the household income threshold test.

Changes to the scheme also mean dads and partners will be able to access the Government's scheme at the same time as any employer-funded leave, in the same way mothers currently can.

Supporting women's economic security and leadership – Facilitating job options

Measures include:

- ▶ \$56.2 million to support more women into a greater array of occupations and jobs of the future. \$38.6 million over 4 years from 2022-23 to provide wrap-around support for women commencing in trade occupations on the Australian Apprenticeships Priority List.
- ▶ Building on the \$147 million of investments to support gender equity in STEM, additional funding is being provided to encourage women to consider taking up careers in manufacturing and the technology workforce.
- ▶ Support is also being provided to further enable more women to develop entrepreneurial skills.
- ▶ \$40.4 million to create pipelines for women to progress into board and leadership positions, including as sporting coaches and managers.



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

ABN 62 054 174 453
GPO Box 4285
Sydney NSW 2001

p. 1300 337 301
e. policy@fpa.com.au
www.fpa.com.au

First published 29 March 2022

© 2022 Financial Planning Association of Australia