Budget summary for investors

Federal Budget 2022-23

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Overview

Bryan Ashenden – Head of Financial Literacy and Advocacy

Impacts for investors

On 29 March 2022, the Government handed down the 2022-23 Federal Budget. Whilst we know this is a pre-election Budget, with the next Federal election to be held in May 2022, it is possibly not a typical pre-election Budget full of spending promises. This is perhaps partly tied to the fact that the Government would not have time to legislate many of its announcements, but more likely recognises the significant level of Government debt from previous and forecasted budgetary deficits and the Government's desire to also be seen as being fiscally responsible in the current economic environment.

It should come as no surprise that the major focus of this Budget for most Australians is on the cost of living. With inflation levels and the cost of many goods rising, be that from the effect of natural disasters or the costs of fuel rising due to international events, or a combination of these, wage indexation has simply not kept pace. One of the key announcements from the Government in this area was a halving of the fuel excise (equivalent to 22.1c per litre) for the next six months, with effect from 30 March 2022.

It was forecast as a "cash splash" Budget, and for some this may prove to be true, but for others there may be no significant benefit. Low and middle income earners, which in Budget and tax terms is defined as someone with taxable income of $126,000 or less, will benefit in the current financial year with an increase in the low and middle income tax offset by $420, to a new maximum level of $1,500. However, the benefit will not be available until you lodge your 2021/22 income tax return, as this is a non-refundable offset that reduces the amount of tax otherwise payable.

Many social security recipients will be eligible for a one-off $250 cash bonus in April, with this measure expected to pass through Parliament this week to ensure it can be paid and is not subject to an election outcome.

"This is not a typical pre-election Budget full of spending promises."

Overview continued

Beyond this, however, the measures are perhaps not what many would have expected in an election year, but there are still some benefits to be had. Small businesses gain further relief on the amount of future PAYG instalment payments, and incentives to invest in training for staff and cloud based solutions with deductions for up to 120% of the actual cost.

From a superannuation perspective, the Budget was extremely quiet. The minimum payment requirements from superannuation income streams will remain halved for 2022/23 and, with no announcements on superannuation guarantee, it would appear it will increase to the legislated 10.5% from 1 July 2022.

Finally, this year's Budget has continued with a strong focus on measures for women, particularly from a health perspective, with a number of pharmaceutical products included in the Pharmaceutical Benefit Scheme which significantly reduces their cost.

Below is an overview of some of the measures announced in this year's Federal Budget. There may be others that impact on your personal situation, as well as announcements from last year's Federal Budget that are due to take effect from 1 July 2022. A financial adviser can help outline what these measures may mean for you, and the opportunities available now, or in the future.

It is always important to remember that at this point, the Budget night announcements are only statements of intended change and are not yet law.

Taxation measures

Tim Howard, Technical Consultant

The main taxation measures were focussed on addressing rising living costs. Of likely benefit to all Australians, the Government has announced that with effect from 30 March 2022 for a period of six months (to 28 September 2022) the fuel excise levied by the Federal Government will be halved. This would equate to a drop in the price of fuel of 22.1c per litre. However, it is worth noting that the fuel excise is only one element that determines the cost of fuel at the pump, and other factors (such as the price of oil) may change and soak up some of the anticipated savings from this measure.

For low and middle income earners, essentially defined as someone having a taxable income of $126,000 or less, the existing low and middle income tax offset (LMITO) for the current financial year, which was announced in last year's Federal Budget, will be boosted by $420. If you qualify, this offset will become available when you lodge your income tax return for the current financial year, either through a refund of overpaid tax, or a reduction in the tax payable to the ATO.

Given the need for many employees to continually test for symptoms of COVD-19, where this is required as part of returning to work, the cost of such tests will now be tax deductible.

Some taxation measures were announced that could have a positive impact for businesses, including changes to the PAYG system which may reduce the level of instalments payable by businesses. Small businesses that invest in training and upskilling for their employees may be eligible for an additional 20% deduction on top of a deduction for the cost of the training itself. Similarly, eligible small businesses will be able to deduct an additional 20% of the costs incurred on business expenses and depreciating assets that support their digital adoption.

Superannuation

Superannuation measures

Sarah Conte – Senior Manager, Advice Technical and Regulatory

Announcements around superannuation were very minimal in this year's Federal Budget. With no announcements on superannuation guarantee, the rate should increase 0.5% in line with legislation to 10.5% from 1 July 2022.

If you are in receipt of an account based pension or similar income stream from a superannuation fund, the existing arrangements where the legislated minimum draw-downs have been halved will be extended another 12 months into 2022/23.

Whilst the announcements this year were minimal for super, it is important to remember a number of announcements from last year's Budget will take effect from 1 July 2022, including allowing a downsizer contribution to be made to super if you sell your principal residence at age 60 or above (currently age 65 or above) and the ability to make contributions between 67 and 75 without the need to meet the work test which currently applies. A financial adviser can assist you to determine which of these and other super changes may be of benefit to you.

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Social security and other welfare measures

Matt Manning and Michael Tran - Technical Consultants

Social security

A one-off cost of living payment for eligible social security recipients will be made in April 2022 to assist with increasing costs of living. Tax free, and not impacting social security arrangements, the payment will be made to recipients of various income support payments including (but not limited to) the age pension, JobSeeker, disability support pensions and youth allowance. It is also payable to holders of the Commonwealth Seniors Health Card and Pensioner Concession Card holders.

The Pandemic Leave Disaster Payment (which is subject to certain eligibility criteria) will continue for those who are unable to work and earn income because they (or someone they're caring for) must self-isolate or quarantine due to COVID-19. The payment is valued at $750 (if 20 or more hours of work are lost) or $450 payment (if 8 or more hours, but less than 20 hours of work are lost).

The Government will also enhance existing paid parental leave schemes, with Parental Leave Pay and Dad and Partner Pay combined into Paid Parental Leave as a single scheme providing up to 20 weeks in a fully flexible and shareable scheme for eligible working parents. It will also mean that eligible single parents will benefit as they will have access to two additional weeks.

The Government will expand the Home Guarantee Scheme (available to first homebuyers and single parents entering or re-entering the housing market) and a newly introduced Regional Home Guarantee available to non-first home buyers purchasing or constructing a new home in regional areas, making up to 50,000 places available each year. Under these schemes, the Government provides support to enable homes to be purchased with deposits as low as 5% and, in some cases, as low as 2%.

Women's measures

Sarah Conte, Senior Manager, Technical and Regulatory

Continuing their approach from the 2021/22 Federal Budget, the Government has continued with a special focus on the needs of women. Whilst noting that as of February 2022, women's workforce participation has increased to its highest participation rate on record, and the gender pay gap is slowly narrowing, the Government has conceded that more needs to be done to improve the respect for women, achieve gender equality and increase choice and flexibility for women and families.

The Government has announced they will invest a further $1.3 billion to drive changes under the National Plan to End Violence against Women and Children.

From a workforce perspective, the Government has committed $482 million into measures that will provide greater flexibility and choice about how to manage work and care, and support women into more diverse industries, jobs of the future and leadership positions.

Finally, the Government has announced several measures to support the health issues that most affect women and girls throughout their lives. These include funding for:

- Genetic testing in pregnancy,
- Improving treatment, management, and diagnosis of endometriosis,
- Changes to the Medicare Benefits schedule to support women's health,
- Community led initiatives and organisations, and
- Initiatives that prevent chronic illness and improve health and wellbeing among Australian women and girls.

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Next step

As mentioned at the outset, the above reflects only a selection of the measures that were announced as part of the 2022-23 Federal Budget. Many of the measures may be dependent on the Government being re-elected in the upcoming Federal Election in May 2022 and will require the passage of relevant legislation through Parliament. However, it is never too early to start thinking about what sort of impact these announcements could have on your future financial wellbeing.

To find out more, speak with a financial adviser.

For more information

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