

Innate Wealth Federal Budget Summary 09 May 2023



Last night's Federal budget was aimed at providing cost of living support to those who need it most and proving that Labor was a competent economic manager.

For this, they deserve kudos.

Where the budget fell silent however, was with regards to structural reform. As it stands we continue to spend more than we earn. This is unsustainable. Unless we have the political will to address this, we will be a poorer nation as a result.

Note: These changes are proposals only and may or may not be made law.

Cost of living

- **Energy bill relief:** An electricity bill credit of up to \$500 will be available in 2023/24 for:
 - Pensioners
 - Commonwealth Seniors Health Card holders and other concession card holders
 - Recipients of Carer Allowance and Family Tax Benefit A and B
 - Veterans, and
 - those eligible for existing State and Territory electricity concession schemes.

Eligible small businesses will receive a credit of up to \$650. The amount of the credit will vary depending on the location, with no further details revealed in the Budget.

- **Pharmaceutical Benefits Scheme changes:** Individuals will be allowed to buy twice as many common medicines for the price of one script under changes to the Pharmaceutical Benefits Scheme from 1 July 2023. This will allow a patient access to 60 days worth of medicine for each script. The change will save general patients up to \$180 a year per subsidised prescription. Concession card holders are expected to save up to \$43.80 a year per medicine.
- **Increased bulk billing:** Children under the age of 16, pensioners and other Commonwealth concession cardholders will have increased access to free healthcare under this measure, with bulk billing incentives being tripled for the most common consultations. This includes face-to-face, telehealth and video conference consultations.
- **Household energy upgrades:** A number of low-cost loans will be provided to access energy-saving home upgrades, such as battery-ready solar panels, modern appliances and other energy efficiency improvements.

Superannuation

- **Better targeted superannuation concessions:** The Government will reduce tax concessions on certain superannuation accounts for individuals with a 'total super balance' (TSB) of more than \$3 million (unindexed). The earnings on any balance that exceeds the \$3 million threshold will be subject to an additional tax of 15% (up to 30% in total).

Innate Wealth Federal Budget Summary

Individuals with a TSB less than \$3 million will not be impacted by this change, and investment earnings on the accumulation balance will continue to be taxed at the maximum rate of 15%.

- **Increasing the payment frequency of employer super payments:** Employers will be required to pay their employees' super at the same time as their salary and wages from 1 July 2026.

Social security

- **Increase to working age payments:** The fortnightly rate of JobSeeker Payment and certain other benefits will increase by \$40 (\$1,040 pa) on 20 September 2023.

The minimum age for the higher rate of JobSeeker Payment will also reduce from age 60 to 55 and over for those who have received the payment for nine or more continuous months. Single recipients aged 55 to 59 with nine continuous months on payment will receive an extra \$99.40 pf as a result of both changes.

- **Increasing Rent Assistance:** The maximum rates of Rent Assistance will increase by 15% on 20 September 2023. This will provide recipients with up to \$31 extra per fortnight.
- **Increase to Home Care packages:** As part of a package to improve the in-home aged care system, the Government will increase the number of Home Care packages by 9,500 in 2023/24. This may help reduce the wait time for individuals who are waiting for a package to be assigned to them.

Personal taxation

- **No changes to personal income tax:** The Budget did not contain any measures announcing changes to personal income tax. This includes:
 - no changes to the Stage 3 tax cuts which will take effect from 1 July 2024, and
 - no extension of the Low and Middle Income Tax Offset, which ended 30 June 2022.
- **Increasing the Medicare levy low-income thresholds:** The Government will increase the Medicare levy low-income thresholds for singles, families and seniors or pensioners from 1 July 2022. This means low-income earners will be able to earn more income before being liable to pay Medicare levy.

Small business taxation

- **Small Business Energy Incentive:** Small businesses with an annual turnover of less than \$50 million may receive an additional 20% deduction on spending that supports electrification and more efficient use of energy.

Up to \$100,000 of total expenditure will be eligible for the incentive, with the maximum bonus tax deduction being \$20,000 per business. Eligible assets or upgrades will need to be first used or installed and ready for use between 1 July 2023 and 30 June 2024.

Examples of eligible assets include electrifying heating and cooling systems, upgrading to more efficient fridges and induction cooktops, and installing batteries and heat pumps.

- **\$20,000 instant asset write-off:** Small businesses with an annual turnover of less than \$10 million will also be eligible to immediately deduct the full cost of eligible assets costing less than \$20,000 for assets that are first used or installed ready for use between 1 July 2023 and 30 June 2024.

Small businesses can instantly write off multiple assets as the \$20,000 threshold will apply on a per asset basis.

Innate Wealth Federal Budget Summary

Housing

- **Changes to eligibility for home buyer guarantee schemes:** From 1 July 2023, joint applications may be made by friends, siblings and other family members under the First Home Guarantee and the Regional First Home Buyer Guarantee. Non-first home buyers who have not owned a property in Australia in the last ten years will also be eligible.

Eligibility for the Family Home Guarantee is also expanding to include eligible borrowers who are single legal guardians of children such as aunts, uncles and grandparents.

The number of guarantees available and other eligibility criteria are unchanged.

There is no question that a lot has gone right for the government. Higher commodity prices combined with increased tax revenues have helped to deliver a budget surplus, albeit a small and temporary one.

They have also demonstrated un-labor like restraint by trimming expenditures where possible, and offering assistance to those who need it most.

This, we would argue is a win on both fronts.

Where the budget falls over however, is that it fails to provide a future narrative. As mentioned from the outset, as a country, we continue to spend more than we earn, which means that our structural deficit will continue to rise. This we know is unsustainable.

At some future point, we will need to confront the fact that we can not continue to provide the services we so desperately want without having the money to pay for them.

The problem is not one of expenditure but one of revenue. We can only hope that our politicians will be brave enough to have such a conversation.

If you do have any questions in relation to the information provided, please feel free to contact our office on 9999-4100.

Go Well

Innate Wealth

Important information and disclaimer

Sources: www.budget.gov.au

This communication has been prepared by Innate Wealth Pty (ABN 66 082 986 641, AFSL 229242).

The information in this communication is factual in nature. It reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue, and may be subject to change. In some cases, the information has been provided to us by third parties. While it is believed the information is accurate and reliable, this is not guaranteed in any way. Examples are illustrative only and are subject to the assumptions and qualifications disclosed. Past performance is not a reliable indicator of future performance, and it should not be relied on for any investment recommendation. To the extent that the information in the communication contains general advice, it has been prepared without considering any person's individual objectives, financial situation or needs. You should consider the appropriateness of the general advice in light of your own objectives, financial situation or needs.

Whilst care has been taken in preparing the content, no liability is accepted by Innate Wealth or its employees for any errors or omissions in this communication, and/or losses or liabilities arising from any reliance on this communication.