Federal Budget 2023: Stronger foundations for a better future

By Perpetual Private insights

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"Seeing our people through the hard times – and setting our country up for a better future."

"While Australia may have a lot coming at us – we have a lot going for us too" – Dr Jim Chalmers, 2023-2024 Federal Budget Speech.

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Summary

Treasurer Chalmers handed down his second Federal Budget against a backdrop of economic uncertainty, persistent inflation concerns, higher interest rates and consequential cost of living increases borne by all Australians.

The key Federal Budget measures are 'carefully calibrated to alleviate inflationary pressures, not add to them'. This year, four central themes have emerged; responsible cost of living relief, further support to Medicare and the care sector more broadly, building a framework to address the dual challenges of funding clean energy programmes whilst reinforcing areas associated with economic innovation and new skills acquisition; leveraging the forecast Budget surplus to strengthen the Australian economy and lay a foundation to weather expected weakness in global growth in the coming years.

The 2023 Federal Budget echoes the central philosophy of Treasurer Chalmers' inaugural Federal Budget handed down late last year – it is a tapestry of measures intricately woven to enable Australia's response to the volatile, uncertain, complex and ambiguous issues facing the world today to be one that emphasises the fundamental importance of fiscal responsibility in the domestic context.

Funding for vulnerable Australians will be directed towards assisting with the central elements of living well and with dignity by boosting assistance with utility and medical costs, furthering of affordable housing schemes, enhanced access to welfare measures targeting the older unemployed and single parents plus increasing the wages of aged care workers.

To further sustainable jobs growth, 300,000 free TAFE places will be created to invest in the training of Australians in key occupations and up-and-coming sectors.

Longer-term structural economic challenges seek to be managed through the *'Better Targeted Superannuation Concessions'* measures alongside the expansion of existing tax revenue protection mechanisms. NDIS reform will maintain and secure positive outcomes for Australians living with disability.

Finally, small businesses will be aided by instant asset write-offs, help with the purchase of power saving assets and the transition to digital technology readiness.

Contained below is an analysis of the Federal Budget. It's important to note that this analysis covers Federal Budget proposals that have not yet been legislated, and the communication should be viewed within that context. For greater clarity or if you have any questions relating to your individual situation, please speak to your financial adviser.

Superannuation

'Better Targeted Superannuation Concessions'

The generous tax concessions available to superannuation fund members will be oriented towards those with more modest account balances.

This will be implemented by individuals being subject to a 15% tax on the corresponding earnings of their total superannuation fund balance that exceeds $3 million. This measure is anticipated to commence on 1 July 2025. It will not be retrospective in nature. And, earnings associated with fund balances below $3 million will carry on being taxed at a maximum of 15% in accumulation phase, and have zero tax continuing to apply to retirement phase income streams.

Defined benefit scheme interests will have aligned treatment under this measure.

Greater equity for Superannuation Guarantee recipients

From 1 July 2026, the payment of Superannuation Guarantee ('SG') entitlements will be brought into line with an employee's salary (or wages) cycle. Currently, SG is only required to be paid quarterly, which can create opacity surrounding the correctness of entitlements paid within any particular timeframe, especially for those in part-time or casual roles. Furthermore, increasing the regularity of payments into superannuation is intended to assist in enhancing retirement balance outcomes for all Australians – irrespective of the nature or type of work undertaken.

Taxation

Revenue protection

Ensuring taxpayers meet their correct personal income tax obligations is an ongoing priority of the Federal Government. Additional funding will be provided to the Australian Taxation Office and Treasury to allow them to proactively develop and implement appropriate revenue protection strategies. Such a move is intended to specifically address known areas of revenue risk, such as the availability of tax deductions for short-term rental properties.

Small business support

From 1 July 2023, the instant asset write-off threshold will be temporarily increased to $20,000, with small businesses having aggregated turnover under $10 million able to obtain an immediate tax deduction for a single asset or multiple assets acquired up to this threshold, which are installed or ready for use by 30 June 2024.

Individuals living with disability and senior Australians

Implementing Recommendations of the Royal Commission into Aged Care Quality and Safety

The Final Report of the Royal Commission into Aged Care Quality and Safety was tabled in 2021, and outlined a number of recommendations to improve the aged care system. In this Federal Budget, the Government has proposed to allocate substantial funding to implement some of those recommendations, specifically aimed at:

- Ensuring stronger regulation for the aged care sector and putting measures in place to improve the health and safety of older Australians in care
- Increasing pay for aged care workers by 15% from 30 June 2023
- Revamping the in-home aged care system, including increasing accessibility to Home Care Packages, establishing a single aged care assessment system and enabling the creation of a new consolidated Support at Home Program. The Support at Home Program will commence on 1 July 2025 following feedback from the sector, and
- Enhancing the delivery of aged care services, including extending the Disability Support for Older Australians Program, incentivising the continuation of primary care in residential aged care, improving the viability of the aged care sector more generally as well as creating placement systems to allow the selection of an aged care provider.

One-off Work Bonus Credit for Pensioners

Age and Veteran Age pensioners will receive a one-off $4,000 credit to their Work Bonus, and their maximum Work Bonus income bank will be temporarily increased to $11,800 until 31 December 2023.

This measure should benefit clients who are receiving the Centrelink or Veteran's Age pension, and wish to either start work or increase their work hours without jeopardising their entitlements.

Medicare and Pharmaceutical Benefits Scheme modifications

Increase of Medicare low-income thresholds

The Medicare levy low-income threshold for singles, families, seniors and pensioners will modestly increase from 1 July 2022, making this measure applicable for the current financial year. The increase in these thresholds is intended to address cost-of-living concerns following the recent uplifts in the Consumer Price Index, and enable low-income individuals to remain exempt from paying the Medicare levy.

Improved access to medical care

Accessibility of medical care will be extended in several ways, including funding:

- that provides bulk-billing incentives to General Practitioners for Commonwealth concession card holders and those aged under 16
- enabling further access to after-hours medical care services, and
- which improves the ability of frequent hospital patients to access multidisciplinary care services, especially for those living with chronic health conditions or in remote communities.

Amended Pharmaceutical Benefits listings

The Pharmaceutical Benefits Scheme ('PBS') will be expanded to include a variety of new drugs on the PBS approved list. Some of the conditions that can now be treated with Government subsidisation include chronic heart failure, age-related macular degeneration, advanced malignant melanoma and cystic fibrosis for paediatric patients aged between 6 to 11.

How will the Budget affect your financial situation?

A Perpetual financial adviser can help you assess how the Budget could affect you and your family.

Get in touch

Perpetual Private advice and services are provided by Perpetual Trustee Company Limited (PTCo) ABN 42 000 001 007, AFSL 236643.

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