

BUDGET UPDATE 2022/2023



BAYSIDE
FINANCIAL PLANNING

With the federal election only a couple of months away, it was no surprise to see a Budget filled with announcements that will appeal to voters. To the extent that the changes announced do impact you, they will be factored into the ongoing advice you receive from us. Remember, that these changes are proposals only, at this stage.

Personal taxation

- **A one-off \$420 tax-break:** The Low and Middle Income Tax Offset (LMITO) will increase, providing an additional \$420 to reduce tax payable for eligible taxpayers in the 2021/22 financial year.
 - This offset is non-refundable and available to those earning up to \$126,000 per annum. Individuals earning over \$126,000 per annum will not benefit.
 - LMITO was not extended, meaning it will not apply for the 2022/23 or later financial years.
- **No change to the Government's previously announced personal income tax cuts**
 - The Government's legislated 'Stage 3' personal income tax cuts will continue as planned from 1 July 2024. These changes will mean anyone earning between \$45,000 p.a. and \$200,000 p.a. will pay a maximum tax rate of 30%.
- **Halving of fuel excise:** For six months from 12:01am 30 March 2022, the excise on fuel and petroleum-based products will be halved. Whilst not a direct tax, the expectation is this should result in lower fuel prices during this period.
 - Half the current excise on fuel and diesel is 22.1 cents per litre.
- **Indexation of the Medicare Levy thresholds:** The Medicare Levy low-income thresholds are indexed each year. From 1 July 2021, the thresholds are expected to be as follows;
 - For singles \$23,365 (increased from \$23,226)
 - For families \$39,402 (increased from \$39,167) plus \$3,619 per dependent (increased from \$3,597)
 - For single seniors and pensioners \$36,925 (increased from \$36,705)
 - For family seniors and pensioners \$51,401 (increased from \$51,094) plus \$3,619 per dependent (increased from \$3,597)

Superannuation

- **Continuation of the reduced minimum pension drawdown:** The budget proposes to extend the minimum amount that needs to be drawn from account-based income streams to the 2022/23 financial year.
 - These rules may allow you to draw a smaller amount from your superannuation account-based income stream if you choose.
 - A reduced level of drawdown could help sustain your retirement savings for a longer period, but this would come at the cost of reduced income for you.

Home ownership

- **The First Home Loan Deposit Scheme and Family Home Guarantee** allow eligible individuals to purchase a home with as little as a 2% deposit, and the Government will guarantee the loan, removing the need for lenders mortgage insurance.
 - 35,000 places under the First Home Guarantee (formerly the First Home Loan Deposit Scheme)
 - 5,000 places under the Family Home Guarantee targeting single parents regardless of any previous home ownership
 - 10,000 places under a new Regional Home Guarantee targeting individuals who have not owned a home in five years who relocate to a regional location and can supply a 5% deposit.

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Social Security

- **\$250 cost of living payment:** Eligible social security recipients resident in Australia will receive a one-off \$250 payment in April 2022.
 - Eligible payments include the Age Pension, Disability Support Pension, Carer Payment and Allowance, JobSeeker Payment (and equivalent DVA payments), as well as individuals holding a Pensioner Concession Card or Commonwealth Seniors Health Card.
 - The payments will not be means tested and will be tax-free.
- **Eligible payment rates will increase by \$20.10** to \$987.60 a fortnight for a single person and by \$30.20 to \$1,488.80 a fortnight for a couple.
 - Eligible payments include the Age Pension, Disability Support Pension, Carer Payment and Allowance.
 - The federal government is also increasing the asset test to allow more people access to a part pension. That's the amount of items such as savings, investments and property you're allowed to own and still be eligible to get some of the age pension. It generally doesn't include your own home and up to the first two hectares of land it's on.
 - For example, the asset limit for a single homeowner will increase by \$6,750 to \$599,750 and for a couple by \$10,000 to \$901,500.
- **Paid parental leave changes:** Parental leave pay is proposed to be combined with Dad and Partner Pay resulting in a single scheme of up to 20 weeks leave which can be shared between parents as they see fit.
 - This leave can be taken at any time within two years of birth or adoption. The new payment is proposed to be subject to an additional household income test designed to increase eligibility.
- **Lowering the Pharmaceutical Benefits Scheme (PBS) safety net:** The Government will reduce the Pharmaceutical Benefits Scheme (PBS) Safety Net thresholds from 1 July 2022. The thresholds will reduce from \$326.40 to \$244.80 for concessional patients and from \$1,542.10 to \$1,457.10 for general patients.
 - These reduced thresholds are a good news story meaning eligible persons will reach the safety net sooner with approximately 12 fewer scripts for concessional patients and two fewer scripts for general patients in a calendar year.
 - On reaching the PBS Safety Net threshold, concessional patients receive their PBS medicines at no cost for the rest of the calendar year and general patients receive their medicines at the concessional co-payment rate which is currently \$6.80 per prescription.

This update is a guide only and based on Bayside's understanding of the 2022-23 Federal Budget Report and current taxation and (where relevant) social security laws. These laws may change and the proposals mentioned in the 2022-23 Federal Budget Report may not become law. In preparing this update, Bayside relied on publicly available information and sources believed to be reliable, however, the information has not been independently verified by Bayside. While due care and attention has been exercised in the preparation of this information, Bayside gives no representation or warranty (express or implied) as to its accuracy, completeness or reliability. The information presented in this update is not intended to be a complete statement or summary of the matters to which reference is made in this update. To the maximum extent permissible under law, neither Bayside nor its related entities, nor any of their directors, employees or agents, accept any liability for any loss or damage in connection with the use of or reliance on all or part of, or any omission inadequacy or inaccuracy in, the information in this update.