

Federal Budget 2022-23

29 March 2022



Treasurer Josh Frydenberg unveiled his fourth Budget highlighting that 'a strong economy means a stronger budget'. The 2022-23 Budget builds on 4 pillars including cost of living relief, jobs creation, essential services investment, higher defence and national security spend.

In the next stage of the Government's economic plan to secure Australia's recovery, the Budget includes an additional cost of living tax offset, reduction in the fuel excise and a one-off payment to eligible pensioners and other welfare recipients.

It is important to note the Budget announcements are still only proposed at this stage and to be legislated. Changes can also be made prior to these proposals becoming law.



Temporary reduction in fuel excise

The Government is halving the excise and excise-equivalent custom duty rate that applies to petrol and diesel from Budget night and ends on 28 September 2022. This will result in a 22.1 cent per litre reduction in petrol and diesel prices flowing through to the majority of service stations within a few weeks as stations replenish their stocks. This measure is estimated to provide \$300 in savings per car per household.

Tax

Cost of Living Tax offset

To assist with the cost of living, taxpayers when lodging their 2021-22 tax returns after 1 July 2022 can pocket an extra \$420 under a Cost of Living Tax Offset available to Australian's earning up to \$126,000 a year. This will be paid on top of the Low and Middle Income Tax Offset (LMITO), ceasing 30 June 2022.

Singles and each member of a couple eligible for the full amount of LMITO and the Cost of Living Tax Offset will receive a total \$1500 offset at tax time.

COVID-19 Test expenses to be deductible

The costs of taking a COVID-19 test to attend a place of work will be tax deductible for individuals from 1 July 2021. The Government will also ensure Fringe Benefit Tax (FBT) will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose.

Increase in Medicare Levy low-income thresholds

Effective 1 July 2021, the following table compares the level of taxable income below which no Medicare levy becomes payable.

Taxpayers (not entitled to seniors and pensioner tax offset)	2020-21	2021-22
Single	\$23,226	\$23,365
Couple/sole parent (family income)	\$39,167	\$39,402
Tax payers entitled to seniors and pensioners tax offset		
Single	\$36,705	\$36,925
Married or sole parent	\$51,094	\$51,401
For each dependent child or student, add:	\$3,597	\$3,619

Social security

One-off \$250 Cost of Living Payment

Pensioners and welfare recipients will automatically receive a one-off cash bonus of \$250 in April 2022 to help with the cost of living pressures.

Eligible payments	
<ul style="list-style-type: none"> Age Pension Disability Support Pension Parenting Payment Carer Payment Carer Allowance (if not in receipt of a primary income support payment) Commonwealth Seniors Health Card holders Eligible Veterans' Affairs payment recipients and Veteran Gold card holders. 	<ul style="list-style-type: none"> Jobseeker Payment Youth Allowance Austudy and Abstudy Living Allowance Double Orphan Pension Special Benefit Farm Household Allowance Pensioner Concession Card (PCC) 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 below and will only be available to Australian residents.

Superannuation

Minimum pension drawdown relief extended to 2022-23

The Federal Government has granted a temporary 50% reduction in the minimum pension drawdown of account based pensions for 2022-23.



Proposed minimum pension drawdown

Age	2013–14 to 2018–19 income years (inclusive)	2019–20 to 2021–22 income years (inclusive)	2022-23 income year
Under 65	4.0%	2%	2%
65–74	5.0%	2.5%	2.5%
75–79	6.0%	3%	3%
80–84	7.0%	3.5%	3.5%
85–89	9.0%	4.5%	4.5%
90–94	11.0%	5.5%	5.5%
95 or more	14.0%	7%	7%

Business

Support for small businesses

Small businesses with aggregated annual turnover of less than \$50 million can:

- Deduct an additional 20% of expenditure incurred on external training courses provided to their employees. Eligible expenditure incurred by 30 June 2022 can be claimed in tax returns for the following income year. Eligible expenditure incurred between 1 July 2022 and 30 June 2024, will be included in the income year in which the expenditure is incurred. Exclusions apply.
- Deduct an additional 20% 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.

Extra support for businesses

The Government announced several measures to support businesses. Notable measures include:

- Extension of COVID-19 Business Support Payments and access to Pandemic Leave disaster payments.
- Enhancement and redesign of the Payment Times Reporting Portal and Register.
- Extra funding for the Australian Small Business and Family Enterprise Ombudsman to work with service providers to enhance small business financial capability.
- Delivered by Beyond Blue, the New Access for Small Business Owners program continues to provide free, accessible, and tailored mental health support to small business owners.
- Operated by Financial Counselling Australia, extension of the Small Business Debt Helpline program continues to provide financial counselling to small business facing financial issues.
- Delivering the new ReBoot initiative and support up to 5,000 disadvantaged young Australians to develop employability skills, providing a pathway to employment services and training opportunities.
- Adding 15,000 low and fee-free training places in aged care courses under the JobTrainer Fund.
- Continued support for business who employ mature-aged Disability Employment Services program participants through the Restart Wage Subsidy.
- Extending the:
 - Time to Work Employment Services program for 12 months to provide continued in-person pre-employment services for Aboriginal and Torres Strait Islander prisoners.
 - Trial of career coaching for job seekers of all ages participating in Digital Services under Workforce Australia.

- Pension suspension period and Pension Concessional Card access period to 2 years for pensioners who receive a nil payment due to their partner's employment income or working hours, where this has also resulted in a suspension of their partner's pension for up to 2 years.

Other

Additional 50,000 scheme places for first home buyers

- 35,000 guarantees each year, up from the current 10,000, from 1 July 2022 under the First Home Guarantee, supporting first homebuyers to purchase a new or existing home with a deposit of as little as 5%.
- 10,000 guarantees each year from 1 October 2022 to 30 June 2025 under a new Regional Home Guarantee, supporting homebuyers, including non-first home buyers and permanent residents, to purchase or construct a new home in regional areas, subject to the passage of enabling legislation.
- 5,000 guarantees each year from 1 July 2022 to 30 June 2025 to expand the Family Home Guarantee scheme, supporting single-parent homes with children in purchasing their first home or to re-entering the housing market with a deposit of as little as 2%.

For more information on these schemes, visit the National Housing Finance and Investment Corporate website at <https://www.nhfc.gov.au/>

Enhancement to Paid Parental Leave Scheme

From 2021-22 spanning five years, Dad and Partner Pay will be rolled into Parental Leave Pay, creating a single scheme of up to 20 weeks. This leave is fully flexible and shareable for eligible working parents as they see fit.

Paid Parental Leave can be taken anytime between 2 years of the birth or adoption of a child. The income test will also broaden to have an additional household income eligibility test.

The Government is also making adjustments to the income test to further support women's workforce participation.

Currently, mothers who earn up to \$151,350 can access Parental Leave Pay even if their partner earns a higher income, but a family in which the mother earns more than \$151,350 – even where the partner has no income or the partner income is much lower – is not entitled to Parental Leave Pay. To remedy this, the Government is broadening the income test to include a household income threshold of \$350,000 per year. This change will particularly support women who are the primary earner and do not currently have access to employer-funded parental leave.

Contact us

03 5224 9600

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Important information

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