

Federal Budget Analysis 2022

The Federal Treasurer has delivered a Budget that focuses on key spending measures to drive Australia's economic recovery in a post-pandemic, natural disaster and conflicted international environment. The Coalition Government's message in the lead up to the election has centred around job creation, temporary stimulus to low and middle income Australians, as well as infrastructure and regional recovery spending measures.

The Budget position has improved dramatically from the forecasts delivered in late 2021. The deficit for 2022-23 is now expected to be \$67.5 billion (down from \$161 billion). This is largely due to a much stronger rebound in employment than was expected at the height of the pandemic last year and increased revenue from higher commodity prices.

There are also a number of measures which are aimed at addressing the cost-of-living challenges currently facing Australians such as a cut in fuel excises, lump sum payments to social security recipients, as well as infrastructure and disaster recovery spending.

Extension of temporary reduction in superannuation minimum drawdown rates

The 50 per cent reduction of the superannuation minimum drawdown requirements for account-based pensions and similar products is extended for a further year to 30 June 2023. In a surprise move, the Government stated that even though Australia has entered a period of economic recovery, there is still significant volatility in financial markets due to the ongoing impacts of Coronavirus and the war in Ukraine.

Please note, for the Government to implement this proposal, it will only need to register a new regulation to amend the pension rules in the SIS regulations. Therefore, the Government may be able to implement this change prior to the election being called. However, it is unclear at this stage whether it intends to make the change prior to calling the election or whether it only intends to make the change if re-elected.

Age	Normal Minimum % withdrawal	Reduced rates by 50% for 2022 / 23
Under 65	4%	2%
65–74	5%	2.50%
75–79	6%	3%
80–84	7%	3.50%
85–89	9%	4.50%
90–94	11%	5.50%
95 or more	14%	7%

Please note these withdrawal factors are indicative only and can contain pro-rating, rounding available in the Superannuation Industry (Supervision) Regulations 1994.

Cost of Living Payment

Economic support payments of \$250 will be made to help eligible recipients with higher cost of living pressures. The payment will be made in April 2022 to eligible recipients of the Age Pension, Disability

Support Pension, Parenting Payment, Carer Payment, Carer Allowance (if not in receipt of a primary income support payment), Pensioner Concession Card (PCC) holders and Commonwealth Seniors Health Card 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 two or more of the categories outlined above. The payment will only be available to Australian residents.

Cost of Living Tax Offset (Low and Middle Income Tax Offset)

The low and middle income tax offset (LMITO) will be increased for the 2021-22 income year to assist with cost of living pressures. The LMITO for the 2021-22 income year will be paid from 1 July 2022 when Australians submit their tax returns for the 2021-22 income year. This proposal will increase the LMITO by \$420 for the 2021-22 income year. This increases the maximum LMITO benefit in 2021-22 to \$1,500 for individuals and \$3,000 for couples.

The existing and proposed LMITO are non-refundable tax offsets. This means the amount of these tax offsets can only reduce an individual's tax liability to \$0, but the individual can't receive a refund of any unused tax offsets.

Temporary reduction in fuel excise

The Government has announced that it will reduce the fuel excise (and excise-equivalent customs duty rate) that applies to petrol and diesel by 50% for six months. The excise that applies to all other fuel and petroleum-based products (including LPG and Biodiesel), except aviation fuels, will also be reduced by 50% for six months.

The Government says this will result in a reduction in excise on petrol and diesel from 44.2 cents per litre to 22.1 cents per litre, which result in total savings (including GST savings) per tank of fuel of:

- \$9.72 for a small hatchback with a 40 litre petrol tank
- \$14.59 for a mid-sized SUV with a 60 litre petrol tank
- \$19.25 for a large 4WD with an 80 litre petrol tank.

While the reduction in fuel excise applies from 30 March 2022, it will take several weeks for the full reduction to flow through because the excise will have already been charged on existing fuel stocks.

Small business – technology investment boost

Small businesses (with aggregated annual turnover of less than \$50 million) will be able to deduct an additional 20 per cent 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.

Expansion of Home Guarantee Scheme

The Home Guarantee Scheme is being expanded to help more first home buyers purchase their first home. In addition, a new Regional Home Guarantee Scheme for non-first home buyers is being introduced. Under the schemes, the Government guarantees part of a home loan. This allows the purchase of a home with a smaller deposit without needing to pay Lender's Mortgage Insurance.

Under the expanded Home Guarantee Scheme, the Government will make available:

35,000 guarantees each year (up from the current 10,000) from 1 July 2022 under the First Home Guarantee. This supports eligible first homebuyers to purchase a new or existing home with a deposit as low as 5%.

- 10,000 guarantees each year from 1 October 2022 to 30 June 2025 under a new Regional Home Guarantee. This supports eligible homebuyers, including non-first home buyers and permanent residents, to purchase or construct a new home in regional areas.
- 5,000 guarantees each year from 1 July 2022 to 30 June 2025 to expand the Family Home Guarantee announced in last year's Budget. This scheme assists eligible single parents with children to either buy their first home or re-enter the housing market with a deposit as little as 2%.

Free Rapid Antigen Tests (RATs) for concession card holders

The Rapid Antigen Test Concessional Access Program will deliver up to 20 free RATs over seven months until 31 July 2022 to all Australians with a concession card, including Department of Veterans' Affairs card holders.

Safety net threshold lowered for the Pharmaceutical Benefits Scheme

From 1 July 2022, the Pharmaceutical Benefits Scheme (PBS) safety net threshold will be lowered, which will allow patients to reach the safety net sooner. For general patients, the PBS threshold will reduce from \$1,542.10 to \$1,457.10 and, for concessional patients, it will reduce from \$326.40 to \$244.80.

Concessional patients will require approximately 12 fewer scripts and general patients will require approximately two fewer scripts. On reaching the PBS safety net, concessional patients receive their PBS medicines at no cost for the rest of the calendar year and general patients receive their PBS medicines at the concessional co-payment rate, which is currently \$6.80 per prescription.

Canadian Trip

I will be going to Canada to visit my wife's family in the school holidays (late June to mid July 2022). I will be on leave for three weeks. I appreciate this is an extended break but as you know, and I will re-discover, it is such a long way to go!! My colleague, Yonit Udis will be present to answer any questions, discuss any issues you may have and process any changes to payments that may be required.

Any questions?

We hope you have found this useful. We will continue to keep you informed as to whether these proposed Budget changes are actually adopted. If you have any questions or wish to discuss anything please call us on 03 9544 1004.

All the best,

Andrew Shaw BBus, Grad Dip SIA, CFP
Principal Shaw Financial Planning Pty Ltd
ACN 603 130 963, ABN 80603130963
Authorised Representatives

Suite 30, 1 Ricketts Road Mount Waverley VIC 3149
T 03 9544 1004



Please note, any advice in this communication has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on any advice, consider whether it is appropriate to your objectives, financial situation and needs. The information in this document reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue. 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.