

# Federal Budget May 2023

The 2023 Federal Budget focuses on easing the cost of living over the coming years, higher welfare payments and more support for small business and housing.

For superannuation, announcements were focused on aligning employer Superannuation Guarantee payments with pay cycles, and the introduction of the previously announced tax on earnings attributable to balances in excess of \$3 million.

There were no announcements extending the halving of allocated pension minimums for another year. There was also no announcement to change legislated 'stage 3' tax cuts, although a number of tax strategies were proposed to support small businesses and increase the number of dwellings available on the rental market.

## Cost of living measures

### Energy price relief plan

The government has announced from July 2023, it will provide funding, and partner with state and territory governments, to reduce the impact of rising energy prices on Australian households and small businesses by providing targeted energy bill relief. The government says this will deliver up to \$500 in electricity bill relief for eligible households and up to \$650 for eligible small businesses.

These energy bill credits will be available for:

- Age Pensioners
- Commonwealth Seniors Health Card holders and
- other Concession card holders

### Cheaper medicines to ease cost of living pressures

From 1 September 2023, the government has proposed reducing the cost of selected pharmaceuticals by implementing a '60 day' prescribing policy which allows two months' worth of medicine to be obtained for the cost of a single script.

Doctors will have the option of prescribing a two-month supply of more than 320 medicines on the Pharmaceutical Benefits Scheme (PBS) to Australians with stable, ongoing conditions. The current dispensing limit is for a one-month supply only.

From 1 September 2023, general patients will be able save up to \$180 a year if their medicine is able to be prescribed for 60 days and concession card holders will save up to \$43.80 a year per medicine.

### Reducing out-of-pocket health costs (tripling bulk billing incentives)

The government is investing \$3.5 billion over 5 years to make it easier and cheaper to see a doctor.

The funding will triple the bulk billing incentive for the most common consultations for pensioners and other Commonwealth concession card holders and patients aged under 16 years of age. The

higher bulk billing incentive will support GPs to bulk bill around 11.6 million eligible Australians. This will support eligible patients to receive the care they need, without any out-of-pocket costs.

The bulk billing incentive will continue to be higher for patients in regional and rural areas to support the ongoing viability of general practices in these communities.

## Superannuation

### **No announcement to extend halving of the pension minimums for another year**

The government did not announce any extension of the halving of allocated pension minimum drawdown requirements, which have been in effect since 2019-20. As a result, the minimum drawdown requirements are likely to revert to 100% of the standard minimum from 1 July 2023 for allocated pensions.

Although the government could still announce an extension of the current halving of the minimum drawdown requirements for these pensions prior to the end of the year, given this wasn't announced in the Budget, it is considered unlikely.

### **Requiring employers to pay their employees' SG at the same time as their salary and wages**

The government has announced that employers will be required to pay their employees' superannuation entitlements at the same time as their salary and wages. Currently, employers are required to pay their employees' superannuation guarantee contributions on a quarterly basis.

The government says requiring employers to pay employees' superannuation at the same time as their salary and wages will make it easier for employees to keep track of their payments and increase their overall retirement benefit.

### **\$3m total super balance tax**

The government has announced it will reduce the tax concessions available to individuals with a total super balance exceeding \$3 million, from 1 July 2025.

Individuals with a total super balance of less than \$3 million will not be affected.

## Personal taxation

### **No announcement to change legislated 'stage 3' tax cuts**

The former government legislated three stages of personal income tax cuts commencing from the 2018-19 financial year, with stage 3 of these tax cuts due to take effect on 1 July 2024. While the current government had previously ruled out any changes in this area, there has been ongoing speculation about whether it would be delayed, modified or cancelled given it comes at significant cost to the Budget and particularly benefits higher income earners.

With nothing new announced in last night's Budget regarding the stage 3 tax cuts, they remain legislated to take effect on 1 July 2024. However, it's worth noting that there is more than a year, and a further Federal Budget, between now and commencement.

## Business taxation

### Small business support – \$20,000 instant asset write-off

The government has announced it will temporarily increase the instant asset write-off threshold to \$20,000, from 1 July 2023 until 30 June 2024.

### Electricity bill relief for small businesses

Eligible small businesses will receive a \$325 Commonwealth rebate to reduce the cost of their electricity bills. The government is negotiating with the States and Territories to match this contribution, taking total relief to \$650.

## Social Security

### Increased JobSeeker Payments

The fortnightly rate of JobSeeker Payment and certain other benefits will increase by \$40 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.

### Assistance for working age pensioners

The government will extend the measure to provide age pensioners and veteran pensioners, a once-off credit of \$4,000 to their Work Bonus income bank and temporarily increase the maximum income bank until 31 December 2023. Under this measure, pensioners can earn up to \$11,800 before their age pension is reduced, supporting pensioners who want to work, or work more hours, to do so without losing their age pension.

## Aged Care

### Aged care regulatory reform

The government has committed to provide over \$300m in additional funding over 5 years from 2022–23 to implement the recommendations from the Royal Commission into Aged Care Quality and Safety and other initiatives to strengthen the regulation of the aged care sector and improve the health and safety of older Australians receiving aged care.

Initiatives to be funded include:

- improving the accountability and transparency of approved aged care providers through enhancements to the Star Rating system
- supporting the development and implementation of a new, stronger Aged Care Regulatory Framework to support the new Age Care Act which is due to commence from 1 July 2024
- establishing a national worker screening and registration scheme from 1 July 2024
- ensuring the Aged Care Quality and Safety Commission is appropriately resourced to deliver its audit and compliance program in 2023–24
- improving the food and nutrition in aged care through the development, monitoring and enforcement of food and nutritional standards.

### Funding pay increases for aged care workers

The government will increase the wages of aged care workers by 15% from 1 July 2023. This measure funds the outcome of the Fair Work Commission's decision on the Aged Care Work Value

Case. The increase will benefit 250,000 people including registered nurses, enrolled nurses, personal care workers, lifestyle workers and home care workers.

## 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,

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