

Federal Budget Analysis October 2022

On 25 October 2022, Treasurer Jim Chalmers handed down the 2022-23 October Federal Budget. This second Budget for 2022-23 updates economic forecasts and outlines the new Labor Government's priorities following the May 2022 Federal election.

The Budget estimates an underlying cash deficit of \$36.9 billion for 2022-23 and \$44 billion for 2023-24. While the economy is expected to grow by 3.25 per cent in 2022-23, it is predicted to slow to 1.5 per cent for 2023-24, a full percentage point lower than forecast in March 2022.

Inflation is expected to peak at 7.75 per cent later in 2022 then moderate to 3.5 per cent through 2023-24 and return to the Reserve Bank's target range in 2024-25.

Against this backdrop, the Treasurer has sought to exercise fiscal restraint so as not to put more pressure on inflation. Rather, the Budget sets out a 5-point plan for cost-of-living relief in the areas of:

1. child care
2. expanding paid parental leave
3. medicines
4. housing
5. wages growth

While the Budget does not contain major tax changes it does seek to begin some Budget repair work via tax integrity measures.

Personal tax

Personal tax rates unchanged for 2022-23

In the Budget, the Government did not announce any personal tax rates changes. The Stage 3 tax changes commence from 1 July 2024, as previously legislated.

Superannuation

Downsizer contribution age reduced from 60 to 55

The ability to make a downsizer contribution to superannuation of up to \$300,000 per eligible person on the sale of a principal residence will become available to persons aged 55 and above (currently 60 and above). All other eligibility requirements for downsizer contributions remain unchanged.

Allocated pensions

No announcement about extending reduced minimum allocated pensions

At this stage no announcement has been made as to whether the Government plan to extend the reduced minimum allocated pensions for a further year. We will have to wait and monitor announcements closer to the end of this financial year.

Social Security

The cost of medications under the Pharmaceutical Benefits Scheme reduced

From 1 January 2023, the maximum general co-payment for prescriptions under the Pharmaceutical Benefits Scheme (PBS) will reduce to \$30 per script (down from \$42.50). Under the PBS, the Government subsidises the cost of PBS medicines and individuals who make a co-payment towards the cost. In some cases, individuals may pay more than the co-payment. The scheme is generally available to all Australian residents who hold a current Medicare card. Once an individual or their family pays a certain amount on PBS medicines (known as the PBS Safety Net threshold) the co-payment for PBS medicines is reduced (\$6.80 per script for general patients).

Deeming rates frozen for further 2 years

Deeming rates are frozen at their current levels until 30 June 2024. Deeming rates are currently 0.25% (lower rate) and 2.25% (higher rate).

Extending the period of paid Parental Leave

The Government will increase the number of weeks of paid Parental Leave Pay (PLP) by two weeks each 1 July, until it reaches a total of 26 weeks.

Assistance for working age pensioners

In response to the Government's Jobs and Skills summit, proposed changes to legislation were introduced to assist Age Pensioners who work, to earn more and keep their Age Pension.

Currently, the Work Bonus income bank is capped at \$7,800. This will temporarily be increased to \$11,800 until 30 June 2023. Effective 1 July 2023, any amount in the Work Bonus income bank that exceeds \$7,800 will be removed and no longer be available to offset future income from work. This measure will commence at the earliest on 1 December 2022.

CSHC income thresholds indexed

The Commonwealth Seniors Health Card (CSHC) income thresholds are set to increase in accordance with the following table:

Family situation	Current limit from 20/09/22	Proposed increased limit
Single	\$61,284	\$90,000
Couple (combined)	\$98,054	\$144,000
Couple separated by illness	\$122,568	\$180,000

Benefits of the CSHC include:

- cheaper medicines under the Pharmaceutical Benefits Scheme
- refund for medical costs when the Medicare Safety Net is reached
- bulk billed doctor visits at the clinic's discretion
- one-off Economic Support Payments as determined by Federal Government

If you are of age pension age and not in receipt of the age pension or the Commonwealth Seniors Health Card (CSHC) already, you may in future be eligible for the Commonwealth Seniors Health Card. We will assess eligibility if the legislation passes at our next review.

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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