2022/23
FEDERAL BUDGET
REPORT

March 2022

The upcoming Federal election is clearly front of mind for the government right now, with this year's central messages focused on assisting with the cost of living, an attempt to provide further support for affordable home ownership and keeping Australians safe—with further spending on defence, the pandemic response and cyber security.

As expected, there were no significant superannuation related measures apart from the extension of the temporary minimum drawdown on pensions, providing some flexibility for retirees. A number of previously legislated superannuation related changes will come into effect on 1 July 2022. For clarity purposes we include a summary of these changes including a table of Superannuation Thresholds from 1 July 2022 to 30 June 2023.

As always this report focuses only on the budget announcements relevant to the services we provide.

Superannuation

2022/23 Budget recommendations include:

Extension of pension minimum drawdowns

Proposed effective date: Ongoing
Who this affects: Australian Pensioners

In a move that will be welcomed by pensioners, the Government announced that it will be extending the 50% temporary reduction in the minimum pension drawdown percentages for a further year, to 30 June 2023.

The minimum pension drawdown is the percentage of a pension account balance a retiree must withdraw each year.

The temporary reduction was introduced in March 2020 as a part of the Government's pandemic response—the intention being to give further flexibility to retirees so that they would not have to make withdrawals beyond what they needed at a time when investment markets were deflated.

Here are the default and temporary minimum rates:

AGE	TEMPORARY MINIMUM DRAWDOWN RATES – UNTIL 30 JUNE 2023	DEFAULT MINIMUM DRAWDOWN RATES
Under 65	2%	4%
65-74	2.5%	5%
75-79	3%	6%
80-84	3.5%	7%
85-89	4.5%	9%
90-94	5.5%	11%
95 or more	7%	14%

Superannuation changes coming into effect 1 July 2022

Increase in Super Guarantee percentage

The percentage rate for the Super Guarantee (SG) increases from 10% to 10.5%. Employers are required to contribute additional money into their employees' super accounts in line with the higher SG percentage rate.

The SG has been 10% since 1 July 2021 and under the current schedule of legislated increases, the percentage rate will rise again to 11% on 1 July 2023. It will continue rising 0.5% each year until it reaches its final rate of 12% on 1 July 2025.

Removal of the $450 monthly SG threshold

A major change commencing 1 July 2022 is the abolition of the $450 monthly minimum wage threshold to qualify for employer Super Guarantee contributions.

This scrapping of the monthly threshold amount means employers are now required to make super contributions for all their employees (including casual and part-time employees) regardless of how much they earn. The only exceptions are employees aged under 18 and working less than 30 hours per week.

Reduction in eligibility age for downsizer contributions

Following passage of the Treasury Laws Amendment (Enhancing Superannuation Outcomes) Regulations 2022, the eligibility age for making downsizer contributions into super was reduced from 65 years to 60. From 1 July 2022, more people in their sixties can make contributions (up to $300,000 per person or $600,000 per couple) into their super account using the downsizer measure, provided they meet the eligibility criteria.

Increase in age limit for voluntary super contributions

Australians aged 67 to 74 who wish to make a non-concessional, voluntary super contribution are no longer required to meet the work test (or work test exemption) to be eligible to make the contribution (eligibility criteria such as a Total Super Balance (TSB) of less than $1.7 million and sufficient unused annual non-concessional contributions cap still apply).

Spouse contribution age limit increased

In line with the other increases in the contribution age limits, from 1 July 2022 it is possible to make a contribution into your spouse's super account without you or your spouse needing to meet the requirements of the work test (or work test exemption). The other normal eligibility criteria such as a TSB of less than $1.7 million and sufficient unused annual non-concessional contributions cap still apply.

Superannuation Thresholds from 1 July 2022 to 30 June 2023 (changes only).

Transfer Balance cap	$1,700,000
Concessional Contribution Cap	$27,500
Non-concessional Contribution Cap	$110,000 or $330,000 over 3 years
CGT Cap Amount	$1,650,000
Low Rate Cap	$230,000
Untaxed Plan Cap	$1,650,000
Account Based Pension Payments	50% reduction continued for 2022/23 FY
Superannuation Guarantee	10.5%
Maximum Super Contribution Base	$60,220 (per quarter)
Government Co-contribution ($500)	Lower income threshold - $42,016 Upper income threshold - $57,016

Social Security

2022/23 Budget recommendations include:

Cost of Living Payment

Proposed effective date: April 2022
Who this affects: Australian receiving government support and concession card holders

The Government will provide $1.5 billion in 2021-22 to provide a $250 economic support payment to help eligible recipients with higher cost of living pressures. The payment will be made in April 2022 to eligible recipients of the following payments and to concession card holders:

- Age Pension
- Disability Support Pension
- Parenting Payment
- Carer Payment
- Carer Allowance (if not in receipt of a primary income support payment)
- Jobseeker Payment
- Youth Allowance
- Austudy and Abstudy Living Allowance
- Double Orphan Pension
- Special Benefit
- Farm Household Allowance
- Pensioner Concession Card (PCC) holders
- Commonwealth Seniors Health Card holders
- Eligible Veterans' Affairs payment recipients and Veteran Gold 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 2 or more of the categories outlined above. The payment will only be available to Australian residents.

Other - Addressing Cost of Living Pressure

Affordable Housing and Home Ownership

Proposed effective date: Ongoing
Who this affects: First home buyers, single parents, regional home buyers who have not owned a home for 5 years.

The Government will increase the number of guarantees under the Home Guarantee Scheme to 50,000 per year for 3 years from 2022-23 and then 35,000 a year ongoing to support homebuyers to purchase a home with a lower deposit. The guarantees will be allocated to provide:

- 35,000 guarantees per year ongoing for the First Home Guarantee (formerly the First Home Loan Deposit Scheme)
- 5,000 places per year to 30 June 2025 for the Family Home Guarantee
- 10,000 places per year to 30 June 2025 for a new Regional Home Guarantee that will support eligible citizens and permanent residents who have not owned a home for 5 years to purchase a new home in a regional location with a minimum 5 per cent deposit.

Temporary reduction in fuel excise

Proposed effective date: 30 March 2022 (ending 28 September 2022).
Who this affects: Anyone who uses petrol and diesel vehicles

Global oil prices have risen significantly since the Russian invasion of Ukraine. The Government will help reduce the burden of higher fuel prices at home by halving the excise and excise-equivalent customs duty rate that applies to petrol and diesel for 6 months. The excise and excise-equivalent customs duty rates for all other fuel and petroleum-based products, except aviation fuels, will also be reduced by 50 per cent for 6 months. The Government is responding in a temporary, and targeted way to reduce cost of living pressures experienced by Australian households and small businesses.

The rate of excise and excise-equivalent customs duty currently applying to petrol and diesel is 44.2 cents per litre. This measure will halve the rate on petrol and diesel to 22.1 cents per litre from 30 March 2022, with the price faced by consumers expected to be reduced by a larger magnitude given GST will be levied on the lower excise rate.

The Australian Competition and Consumer Commission will monitor the price behaviour of retailers to ensure that the lower excise rate is fully passed on to Australians.

Cost of living tax offset

Proposed effective date: 1 July 2022
Who this affects: Australians with taxable income

The Government will increase the low and middle income tax offset (LMITO) for the 2021-22 income year. LMITO is targeted at low- and middle-income earners that are most susceptible to 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.

Paid parental leave

Proposed effective date: TBD
Who this affects: Working parents

The Government is investing $346.1 million over five years from 2021-22 to introduce Enhanced Paid Parental Leave (PPL). These changes aim to provide increased flexibility and choice for families to decide how best to manage work and care. Eligibility for the scheme is also being expanded. Measures include:

- $346.1 million over 5 years to introduce an enhanced Paid Parental Leave scheme for eligible working families by integrating Dad and Partner Pay and Parental Leave Pay to provide eligible families access to up to 20 weeks leave to use in ways that suit their specific circumstances.
- broadening the income test to include an additional household income threshold of $350,000 to further support workforce participation, particularly for women who are the primary earner.
- eligible single parents will be able to access an additional 2 weeks of Paid Parental Leave and also benefit from the household income threshold test.

Changes to the scheme also mean fathers and partners will be able to access the Government's scheme at the same time as any employer-funded leave, in the same way mothers currently can.

08 8357 7840
admin@finsecpartners.com.au
W finsecpartners.com.au