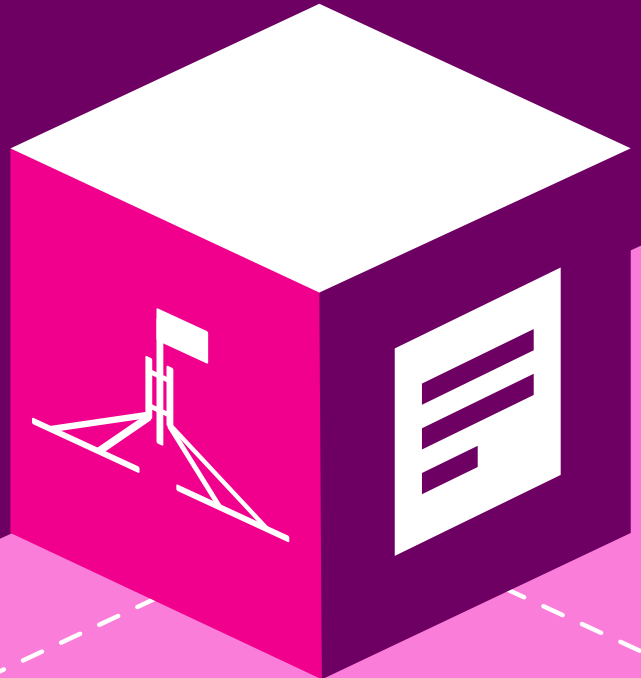




Advice Foundations

Federal Budget 2022



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Introduction

The following paper provides a summary of information announced in the 2022-23 Federal Budget which may be of interest to financial advisers and relevant to their clients. This paper has been prepared for use by advisers and should not be provided to your clients.

Please note that many of these announcements are yet to be legislated, and care should be taken before implementing a financial strategy based on Budget announcements alone.

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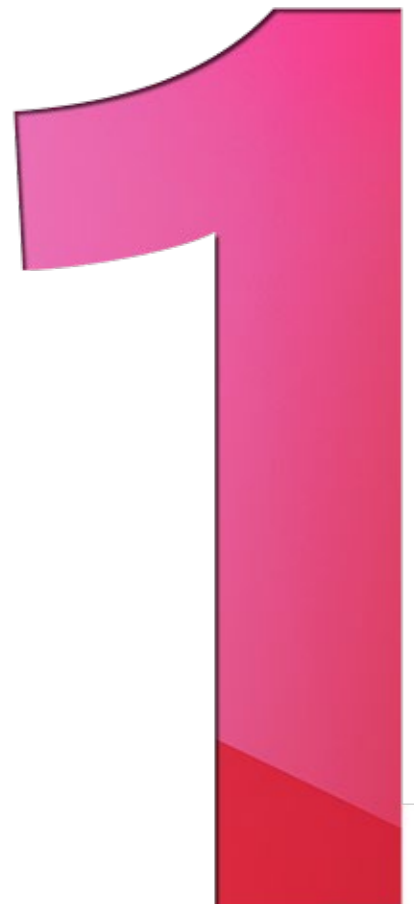
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Unless specified, all information in this document is current at 29/03/2022.

Taxation



Cost of living tax offset - LMITO

The Government will increase the Low and Middle Income Tax Offset (LMITO) for the 2021-22 income year to provide a one-off cost of living tax offset.

The LMITO for the 2021-22 income year will be paid from 1 July 2022 when individuals lodge their tax returns for the 2021-22 income year. This proposal will increase the LMITO by \$420 for the 2021-22 income year, meaning the maximum LMITO benefit in 2021-22 will be \$1,500 for individuals and \$3,000 for couples.

Other than those who do not require the full offset to reduce their tax liability to zero, all LMITO recipients will benefit from the full \$420 increase.

All other features of the current LMITO remain unchanged. Consistent with the current LMITO, taxpayers with incomes of \$126,000 or more will not receive the additional \$420.

Medicare levy low-income thresholds

The Government will increase the Medicare levy low-income thresholds for seniors, pensioners, families and singles from 1 July 2021.

- The threshold for singles will be increased from \$23,226 to \$23,365.
- The family threshold will be increased from \$39,167 to \$39,402.
- For single seniors and pensioners, the threshold will be increased from \$36,705 to \$36,925.
- The family threshold for seniors and pensioners will be increased from \$51,094 to \$51,401.
- For each dependent child or student, the family income thresholds will be increased from \$3,597 to \$3,619.

Superannuation



Extension of the temporary reduction in superannuation minimum drawdown rates

The Government has extended the 50 per cent reduction of the superannuation minimum drawdown requirements for account-based pensions, TAPS and similar products for a further year to 30 June 2023. The minimums are as follows:

Age	Normal Pension Minimum	2019–20 to 2022-23 income years (inclusive)
Under 65	4.0%	2.0%
65–74	5.0%	2.5%
75–79	6.0%	3.0%
80–84	7.0%	3.5%
85–89	9.0%	4.5%
90–94	11.0%	5.5%
95 or older	14.0%	7.0%

Job support and creation



Growing Australia's Workforce - employers

From 1 July 2022, eligible employers and Group Training Organisations that hire a new or recommencing Australian apprentice in a Priority Occupation listed on the Australian Apprenticeship Priority List can apply for a wage subsidy of 10 per cent of wages for first and second year apprentices (up to \$1,500 per quarter) and 5 per cent of wages for third year apprentices (up to \$750 per quarter), for a total of up to \$15,000 per apprentice.

Eligible employers and Group Training Organisations that hire a new or recommencing Australian apprentice not in a Priority Occupation can apply for a hiring incentive of \$3,500 paid in two six-monthly instalments (\$1,750 each) after commencement.

The final date for new entrants to this program is 30 June 2024

Growing Australia's Workforce - apprentices

From 1 July 2022, eligible Australian apprentices commencing or recommencing in a Priority Occupation listed on the Australian Apprenticeship Priority List can apply for an Australian Apprentice Training Support Payment of \$1,250 every six months over the first two years of their apprenticeship (up to \$5,000 in total).

The final date for new entrants into this program is 30 June 2024.

Small Business – skills and training

The Government announced that small businesses (with aggregated annual turnover of less than \$50 million) will be able to deduct an additional 20 per cent of expenditure incurred on external training courses provided to their employees. This equates to a \$120 tax deduction for every \$100 spent on external training courses provided to employees in Australia or online and delivered by entities registered in Australia. This measure will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2024.

Small Business – technology investment boost

The Government announced that small businesses (with aggregated annual turnover of less than \$50 million) will be able to deduct an additional 20 per cent (\$100 expenditure will generate a \$120 tax deduction) 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.

This measure will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2023. An annual cap will apply in each qualifying income year so that expenditure up to \$100,000 will be eligible.

Other announcements



Temporary reduction in fuel excise

For a period of 6 months, from 12:01am on 30 March 2022 to 11:59pm on 28 September 2022, the excise and excise-equivalent customs duty (Excise) rate that applies to petrol, diesel and all other petroleum-based products (except aviation fuels) will be halved.

Under the measure, existing policy settings for the Excise, including the indexation that will occur in August 2022, will continue but on the basis of the halved rates.

The rate of Excise 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. The Government expects that the price incurred by consumers will be reduced by a larger magnitude as GST will be levied on the lower Excise rate.

Employee Share Schemes

The Government will expand access to employee share schemes and further reduce red tape so that employees at all levels can directly share in the business growth they help to generate.

Where employers make larger offers in connection with employee share schemes in unlisted companies, participants can invest up to:

- \$30,000 per participant per year, accruable for unexercised options for up to 5 years, plus 70 per cent of dividends and cash bonuses; or
- any amount, if it would allow them to immediately take advantage of a planned sale or listing of the company to sell their purchased interests at a profit.

The Government will also remove regulatory requirements for offers to independent contractors, where they do not have to pay for interests.

Other announcements

Cost of Living Payment

There will be a one-off \$250 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 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 holders
- Commonwealth Seniors Health Card holders
- Eligible Veterans' Affairs payment recipients and Veteran Gold card holders

The payment will be 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.

Affordable Housing and Home Ownership

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 thereafter. The Government believes this will support homebuyers to purchase a home with a lower deposit.

Part of this package will enable single parents to buy a home with a deposit of 2% and first homeowners with a deposit of 5%.

Pharmaceutical Benefits Scheme – lowering the Safety Net threshold

From 1 July 2022, the Government will provide funding to reduce the Pharmaceutical Benefits Scheme (PBS) Safety Net thresholds. As a result of this measure, the Government believes that patients will reach the Safety Net sooner each year, with approximately 12 fewer scripts for concessional patients and 2 fewer scripts for general patients in a calendar year.

For general patients, the threshold will be reduced from \$1,542.10 to \$1,457.10. For concession card holders, the threshold will be reduced from \$326.40 to \$244.80. On reaching the PBS Safety Net, concessional patients will receive their PBS medicines at no cost for the rest of the calendar year and general patients will receive their PBS medicines at the concessional co-payment rate (which is currently \$6.80 per prescription).

Parental Leave

From 2021-22, the Dad and Partner Pay scheme will be rolled into the Parental Leave Pay scheme. This will create a single scheme of up to 20 weeks of parental leave which will be fully flexible and shareable for eligible working parents as they see fit. The paid parental leave can be taken any time within 2 years of the birth or adoption of their child. The income test will also be broadened to have an additional household income eligibility test.

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