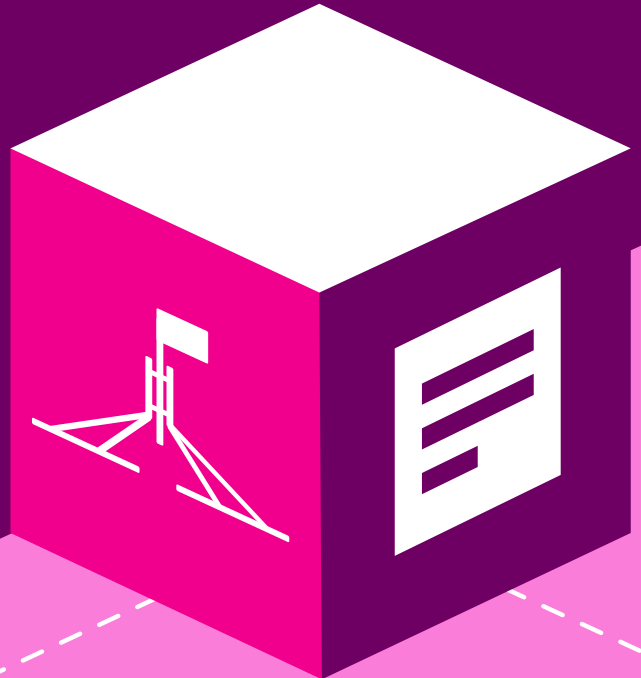




Advice Foundations

Federal Budget 2023



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Introduction

The following paper provides a summary of information announced in the 2023-24 Federal Budget which may be of interest to financial advisers and their 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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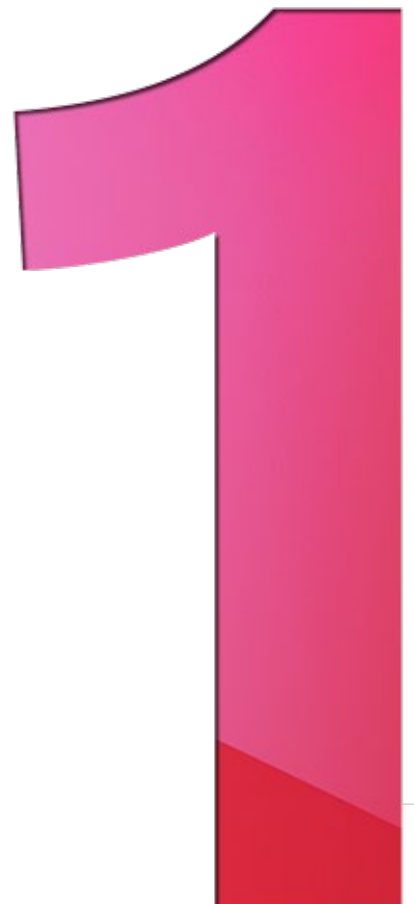
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Unless specified, all information in this presentation is at 10/05/2023.

Taxation



Medicare levy low-income thresholds

The Medicare levy low-income thresholds for singles, families and seniors and pensioners will be increased from 1 July 2022.

- The threshold for singles will be increased from \$23,365 to \$24,276.
- The family threshold will be increased from \$39,402 to \$40,939.
- For single seniors and pensioners, the threshold will be increased from \$36,925 to \$38,365.
- The family threshold for seniors and pensioners will be increased from \$51,401 to \$53,406.
- For each dependent child or student, the family income thresholds will increase by a further \$3,760 instead of the previous amount of \$3,619.

Small Business Support – helping small business manage their tax instalments and improving cashflow

The Government will amend the tax law to set the GDP adjustment factor for pay as you go (PAYG) and GST instalments at 6% for the 2023–24 income year, a reduction from 12% under the statutory formula.

The 6% GDP adjustment rate will apply to small businesses and individuals who are eligible to use the relevant instalment methods (up to \$10 million aggregated annual turnover for GST instalments and \$50 million annual aggregate turnover for PAYG instalments), in respect of instalments that relate to the 2023–24 income year and fall due after the enabling legislation receives Royal Assent.

Small Business Support – \$20,000 instant asset write-off

From 1 July 2023 until 30 June 2024, small businesses, with aggregated annual turnover of less than \$10 million, will be able to immediately deduct the full cost of eligible assets costing less than \$20,000 that are first used or installed ready for use between 1 July 2023 and 30 June 2024. The \$20,000 threshold will apply on a per asset basis, so small businesses can instantly write off multiple assets.

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter.

The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years if they opt-out will continue to be suspended until 30 June 2024.

Small Business Support – Small Business Energy Incentive

Small and medium businesses, with aggregated annual turnover of less than \$50 million, will be able to deduct an additional 20% of the cost of eligible depreciating assets that support electrification and more efficient use of energy. Up to \$100,000 of total expenditure will be eligible for the Small Business Energy Incentive, with the maximum bonus deduction being \$20,000.

Eligible assets will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024. Eligible upgrades will also need to be made in this period. Certain exclusions will apply such as electric vehicles, renewable electricity generation assets, capital works, and assets that are not connected to the electricity grid and use fossil fuels.

Superannuation



Non-arms length income measures

From 1 July 2023, amend the non-arm's length income (NALI) provisions which apply to expenditure incurred by superannuation funds by:

- Limiting income of SMSFs and small APRA regulated SAFs that are taxable as NALI to twice the level of a general expense. Additionally, fund income taxable as NALI will exclude contributions.
- Exempting large APRA regulated funds from the NALI provisions for both general and specific expenses of the fund
- Exempting expenditure that occurred prior to the 2018-19 income year.

Better Targeted Superannuation Concessions

The Government will reduce the tax concessions available to individuals with a total superannuation balance exceeding \$3 million, from 1 July 2025.

This will bring the headline tax rate to 30%, up from 15%, for earnings corresponding to the proportion of an individual's total superannuation balance that is greater than \$3 million.

Individuals with a total superannuation balance of less than \$3 million will not be affected as earnings relating to assets below the \$3 million threshold will continue to be taxed at 15% or 0% if held in a retirement pension account.

Superannuation Guarantee (SG)

From 1 July 2026, employers will be required to pay their employees' SG entitlements on the same day that they pay salary and wages.

Note: Currently, employers are only required to pay their employees' SG on a quarterly basis.

Social Security



Social Security

Home care

Release an additional 9,500 Home Care Packages in the 2023-24 year.

Working Age Payments

From 20 September 2023, an increase in the base rate of working age and student payments by \$40 per fortnight. This increase applies to the JobSeeker Payment, Youth Allowance, Parenting Payment (Partnered), Austudy, ABSTUDY, Disability Support Pension (Youth), and Special Benefit.

Also, extended eligibility for the existing higher single JobSeeker Payment rate for recipients aged 60 years and over to recipients aged 55 years and over who are on the payment for 9 or more continuous months.

Commonwealth Rent Assistance Recipients

From September 2023, the maximum rates of Commonwealth Rent Assistance will increase by 15% for eligible recipients.

Work Bonus

In 2023–24 to extend the measure to provide age and veterans 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. Pensioners will be able to earn up to \$11,800 before their pension is reduced.

Parenting Payment (Single)

From 20 September, eligible single parents will receive Parenting Payment (Single) until their youngest child turns 14 (currently up to 8 years old).

Job Support and Creation



Aged Care Workers

An increase in award wages by 15% from 30 June 2023 for many aged care workers including registered nurses, enrolled nurses, assistants in nursing, personal care workers, home care workers, recreational activity officers, and some head chefs and cooks.

Cheaper Child Care

From 1 July 2023, the Child Care Subsidy rates will increase up to 90% for eligible families and up to 95% for any additional children in care aged 5 and under.

Other Announcements



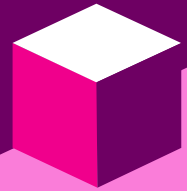
Energy Price Relief Plan

From July 2023, this plan will deliver up to \$500 in electricity bill relief for eligible households and up to \$650 for eligible small businesses. Beneficiaries are expected to include pensioners, Commonwealth Seniors Health Card holders, Family Tax Benefit A and B recipients and small business customers of electricity retailers.

Making it Easier to Buy a Home

Expand the eligibility criteria of the Home Guarantee Scheme to:

- Allow any 2 eligible people to be joint applicants for a guarantee beyond spouses and de facto partners
- Allow non-first home buyers who have not owned a property in Australia for at least 10 years to access the First Home Guarantee and Regional Home Guarantee
- Allow a single legal guardian of children to access the Family Home Guarantee
- Allow Australian permanent residents to access the Scheme



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