

# FEDERAL BUDGET 2022-2023.

## Superannuation and Financial Planning Summary

After almost a decade Labor handed down its first budget last night. Treasurer Jim Chalmers delivered a “responsible” and “restrained” budget to mitigate rising cost of living pressures and global uncertainty.

The Treasurer did not shy away from his blunt message “there are hard days to come”. Inflation is set to peak over 7% by the end of the year, with rising energy, food and interest rates and wages growth estimated to be less than half the rate of inflation over the coming years.

The Budget forecasts the 2022-23 deficit to be \$36.9 billion, an improvement of \$41.1 billion, however estimated to grow over the next few financial years. A slowing economy estimates the unemployment rate jump to 4.5%, currently at 3.75%, over the next 24 months.

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### Self-funded retirees

The Commonwealth Seniors Health Card income thresholds are set to increase to \$90,000 for singles and \$144,000 for couples, increasing the eligibility for up to 50,000 self-funded retirees. Due to commence from the 7th day after Royal Assent. The Commonwealth Seniors Health Card provides access to Government Health concessions such as:

- Cheaper medicine
- Bulk billed doctor visits
- Refund for medical costs upon reaching the Medicare Safety Net threshold.

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### Age Pensioners

To encourage age pensioners to downsize their home, the Budget proposed the extension of the assets test exemption for principal place of residence from 12 to 24 months. Additionally, the Budget proposed further relief by only deeming the sale of proceeds of the principal home during the 24 month period at 0.25% p.a.

Provide a once off credit of \$4,000 to pensioners Work Bonus income bank, resulting in a total maximum concession balance increase to \$11,800 until June 2023.

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### Superannuation

The Government will expand the downsizer contribution eligibility age from 60 to 55 years of age. Currently before Parliament and will commence in the first quarter after Royal Assent. The one-off after-tax contribution remains at \$300,000 per person.

There was no announcement regarding the continuation of the superannuation pension 50% reduction beyond July 2023. The percentages are expected to revert back to the standard from July 2023.

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### Self-managed Superannuation Funds

The easing of the residency requirements for self-managed superannuation funds, announced by the previous Government, by increasing the central management and control of temporary absence from two to five years and removal of the active member test, has been deferred from 1 July 2022. The commencement of the proposal will apply in the income year on or after Royal Assent.

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### Young families

Due to take effect July 2023, the childcare subsidy rates will increase from 85% to 90% for families on a combined income up to \$80,000. Importantly, the upper threshold for subsidy eligibility will increase to \$530,000 up from the current rate of \$356,756. The Government anticipates these reforms will improve work participation among women.

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### Paid Parental leave

By 2026, the Government paid parental leave is expected to increase to 26 weeks from the current 20 weeks. Designed to be inclusive and flexible allowing both parents access encouraging shared responsibilities.

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### Homebuyers

Together with states, councils and the building sector and investors, the Government aims to build 1 million new homes over five years with an estimated start date of early 2024 and allocating additional funds to build 10,000 affordable homes. Spending an estimated \$350 million on the proposal.

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### Get in touch

If you would like to discuss the 2022-2023 Federal Budget further, please do not hesitate to contact your adviser.

Regards



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