

FEDERAL BUDGET 2023-2024.

Superannuation and Financial Planning Summary

Treasurer Jim Chalmers presented his second budget last night, focusing on delivering cost-of-living relief amidst increased inflation and 11 interest rate hikes since May 2022.

While the budget shows a slim \$4 billion surplus, marking the first time in 15 years that it is back in the black, this surplus is expected to be temporary as spending pressures will likely push it back into a deficit over the next four years. National debt remains the second-fastest growing area of government spending, behind the National Disability Insurance Scheme. Economic growth is projected to slow from 3.25% in 2022-23 to 1.5% in 2024, and inflation is expected to fall from 6% to 3.25% next year, with a return to the RBA's target band of 2-3% anticipated during 2024-25.

Superannuation

The highly debated increase in the superannuation tax rate from 15% to 30% for balances over \$3 million was officially announced, set to take effect from 1 July 2025.

From 1 July 2026, businesses will be required to make superannuation contributions to their employees every pay cycle and the ATO will invest in improved technology to find cases of superannuation underpayment.

Cost of living

Labor's energy bill relief package, in collaboration with the states, will provide a \$500 credit to power bills for 5.5 million households. Additionally, one million small businesses will receive a \$650 credit in the next financial year.

Other cost of living measures included a proposal to pay GPs three times as much to bulk bill concession cardholders, families with young children and pensioners. The government has also introduced a \$1.3 billion Household Upgrades Fund to encourage 111,000 households to be more energy efficient and increased support for around 1.1 million Australians with changes to welfare payments discussed in more detail below.

First home buyers

The Home Guarantee Scheme will be expanded to allow any two people, including friends and siblings, to purchase an eligible home with a 5% deposit. Non-first home buyers, who have not owned a property for 10 years will also be able to access the scheme.

Taxation

The Morrison government-era stage 3 personal income tax cuts, which are planned to come into effect from 1 July 2024 were left unchanged and will affect individuals earning over \$120,000.

The low and middle-income tax offset, which provided a benefit of up to \$1,500, was not reinstated after being axed in the October budget. Despite some media speculation, this offset was always intended to be temporary.

Small business

The COVID-era stimulus measure that allowed small businesses to write off assets at an unlimited rate will be replaced with a new write-off program for businesses with an annual turnover of less than \$10 million. Eligible businesses can immediately write off eligible assets valued up to \$20,000. A further deduction of up to \$20,000 could be available for small businesses investing in energy-efficient equipment and facilities.

Welfare

JobSeekers and other support payment recipients will see an increase of \$40 per fortnight in their base rate from September this year. Jobseekers over the age of 55 who have been on a welfare payment for nine or more continuous months will receive an extra \$92.10 per fortnight. This was previously only available to those aged 60 and over.

Rent assistance will also increase by 15% taking the maximum fortnightly payment from \$208.74 to \$240.

Aged Care

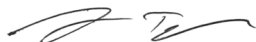
As a part of the \$11.3 billion package, frontline aged care staff will receive a 15% pay rise from 1 July 2023. Additionally, international students working in the sector will be exempt from the usual cap on fortnightly work hours until the end of the year.

An additional 9,500 Home Care Packages will be released during 2023/24 to reduce waiting times which are currently over 12 months for Level 3 and Level 4 packages.

Get in touch

If you would like to discuss the 2023-2024 Federal Budget further, please do not hesitate to contact your Bell Potter adviser.

Regards



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