

FEDERAL BUDGET 2024-2025.

Superannuation and Financial Planning Summary

Treasurer Jim Chalmers presented his third Federal Budget last night with a second successive surplus of \$9.3 billion for the 2023-24 financial year. The surplus was driven by improved commodity prices, inflation-driven tax intake and higher-than-expected employment rates. However, the surplus is anticipated to shift to a deficit in the next three financial years, starting at \$28.3 billion in 2024-2025. The forecasts also assume inflation will return to the RBA's target 2-3% band by Christmas.

Like déjà vu, cost of living and housing was once again the focus this year. We have summarised some of the key financial planning proposals from this year's budget.

Cost of living

Starting from 1 July 2024, every household will receive an automatic \$300 credit to their electricity bills and around one million small businesses will receive a \$325 credit.

Additionally, the redesigned stage 3 tax cuts, initially aimed at benefiting middle- to high-income earners, will now primarily benefit low- and middle-income earners. All taxpayers earning above the tax-free threshold of \$18,200 will receive a tax cut worth an average of \$36 a week. From 1 July 2024, the proposed tax cuts will:

- reduce the 19 per cent tax rate to 16 per cent
- reduce the 32.5 per cent tax rate to 30 per cent
- increase the threshold above which the 37 per cent tax rate applies from \$120,000 to \$135,000
- increase the threshold above which the 45 per cent tax rate applies from \$180,000 to \$190,000.

The end result will see an individual with an income of \$50,000 save \$929 in tax while an individual earning \$200,000 would save \$4,529.

Housing

The Budget proposed a plan to construct 1.2 million new houses within five years for women in crisis, low-income families and the homeless, costing \$11.3 billion. A further \$1.9 billion in loans will be provided to help build 40,000 social and affordable homes.

The maximum rate of the Commonwealth Rent Assistance will also increase, as discussed under social security.

Social security

Deeming rates, which represent a social security recipient's deemed rate of return on financial assets,

will continue to be frozen for another year. During the Morrison government, the rates were frozen at record lows. The deeming rates are calculated on a scale with the maximum rate being 2.25%. This will benefit 876,000 income support recipients.

The maximum rate of the Commonwealth Rent Assistance payment will be increased by 10% from September 2024, benefiting around one million recipients already receiving the maximum rate. Currently, the maximum payment for a single person receiving rent assistance is \$188.20 a fortnight. Under the new proposal, this would increase by \$19 a fortnight, at a cost of \$1.9 billion over five years.

Superannuation

As part of the Working for Women strategy, from 1 July 2025, the Government announced it will pay the 12% superannuation guarantee on government-funded Paid Parental Leave for up to 22 weeks.

Additionally, from July 2026 employers will be required to pay superannuation at the same time as they pay wages, which the Budget has forecasted will leave the average worker \$6,000 better off by retirement.

The division 296 tax, which is the additional 15% tax on unrealised earnings on superannuation balances over \$3 million is also due to take effect in the next financial year, increasing the maximum superannuation tax on earnings from 15% to 30%. Initially announced on 28 February 2023, the bill was introduced into parliament on 30 November 2023 but is not yet legislated.

Most importantly, the main upcoming superannuation change is the indexation of the concessional and non-concessional caps from 1 July 2024. This change will see the concessional cap increase by \$2,500 to \$30,000 p.a. and the non-concessional cap increase by \$10,000 to \$120,000 p.a.

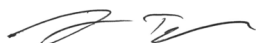
Small business

The instant asset write-off scheme, allowing a small business with an annual turnover of below \$10 million to claim a tax deduction on new equipment up to the value of \$20,000, will be extended for another year.

Get in touch

If you would like to discuss the 2024-2025 Federal Budget and how it affects you, please contact your Bell Potter adviser.

Regards



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