

FINANCIAL UPDATE

Federal Budget 2023

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WEALTH PARTNERS

COST OF LIVING MEASURES

Energy price relief plan

From July 2023

The government has announced it will provide funding, and partner with state and territory governments, to reduce the impact of rising energy prices on Australian households and small businesses by providing targeted energy bill relief.

The government says this will deliver up to \$500 in electricity bill relief for eligible households and up to \$650 for eligible small businesses. These include:

- Pensioners
- Commonwealth Seniors Health Card holders
- Family Tax Benefit A and B recipients
- Small business customers of electricity retailers.

Also announced in the Budget, a range of other measures the government says are designed to ease the cost of living pressure on Australians. These include increasing the rate of working age payments and expanding access to Parenting Payment Single.

Cheaper medicines to ease cost of living pressures

From 1 September 2023

The government has proposed reducing the cost of selected pharmaceuticals by implementing a '60 day' prescribing policy which allows two months' worth of medicine to be obtained for the cost of a single script.

Doctors will have the option of prescribing a two-month supply of more than 320 medicines on the Pharmaceutical Benefits Scheme (PBS) to Australians with stable, ongoing conditions. The current dispensing limit is for a one-month supply only.

From 1 September 2023, general patients will be able save up to \$180 a year if their medicine is able to be prescribed for 60 days and concession card holders will save up to \$43.80 a year per medicine.

Reducing out-of-pocket health costs (tripling bulk billing incentives)

From 2022-23

The government is investing \$3.5 billion over 5 years to make it easier and cheaper to see a doctor.

The funding will triple the bulk billing incentive for the most common consultations for pensioners and other Commonwealth concession card holders and patients aged under 16 years of age.

The higher bulk billing incentive will support GPs to bulk bill around 11.6 million eligible Australians. This will support eligible patients to receive the care they need, without any out-of-pocket costs. The bulk billing incentive will continue to be higher for patients in regional and rural areas to support the ongoing viability of general practices in these communities.

SUPERANNUATION

Targeted Superannuation Concessions

From 2025-26

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

Individuals with a total superannuation balance of less than \$3 million will not be affected.

This reform is intended to ensure generous superannuation concessions are better targeted and sustainable. It will bring the headline tax rate to 30 per cent, up from 15 per cent, for earnings corresponding to the proportion of an individual's total superannuation balance that is greater than \$3 million. This rate remains lower than the top marginal tax rate of 45 per cent. Earnings relating to assets below the \$3 million threshold will continue to be taxed at 15 per cent or zero per cent if held in a retirement pension account.

Interests in defined benefit schemes will be appropriately valued and will have earnings taxed under this measure in a similar way to other interests. This will ensure commensurate treatment.

The additional tax on earnings imposed by this measure will impact around 80,000 individuals in 2025–26, or approximately 0.5 per cent of individuals with a superannuation account. The measure will not place a limit on the amount of money an individual can hold in superannuation. The current contributions rules continue to apply.

No announcement to extend halving of the pension minimums for another year

From 1 July 2023

The government did not announce any extension of the halving of the account-based pension and term allocated pension minimum drawdown requirements, which have been in effect since 2019–20. As a result, the minimum drawdown requirements are likely to revert to 100% of the standard minimum from 1 July for the following pensions (and annuities):

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- Account based pensions
 - Transition to retirement pensions
 - Term allocated pensions.

Although the government could still announce an extension of the current halving of the minimum drawdown requirements for these pensions prior to the end of the year, given this wasn't announced in the Budget it is considered unlikely.

Requiring employers to pay their employees' SG at the same time as their salary and wages

From 1 July 2026

The government has announced that employers will be required to pay their employees' SG entitlements at the same time as their salary and wages. Currently, employers are required to pay their employees' superannuation guarantee contributions on a quarterly basis.

The government says requiring employers to pay employees' SG at the same time as their salary and wages will make it easier for employees to keep track of their payments and increase their overall retirement benefit.

PERSONAL TAXATION

No announcement to change legislated 'stage 3' tax cuts

From 1 July 2024

The former government legislated three stages of personal income tax cuts commencing from the 2018-19 financial year, with stage 3 of these tax cuts due to take effect on 1 July 2024. While the current government had previously ruled out any changes in this area, there has been ongoing speculation about whether it would be delayed, modified or cancelled given it comes at significant cost to the Budget and particularly benefits higher income earners.

With nothing new announced in last night's Budget regarding the stage 3 tax cuts, they remain legislated to take effect on 1 July 2024. However, it's worth noting that there is more than a year, and a further Federal Budget, between now and commencement.

BUSINESS OWNERS

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

From 1 July 2023

The Government will improve cash flow and reduce compliance costs for small businesses by temporarily increasing the instant asset write-off threshold to \$20,000, 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.

Small Business Support – Small Business Energy Incentive

From 1 July 2023

The Government will support small and medium businesses to save on energy bills through incentivising the electrification of assets and improvements to energy efficiency.

Small and medium businesses, with aggregated annual turnover of less than \$50 million, will be able to deduct an additional 20 per cent 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.

A range of depreciating assets, as well as upgrades to existing assets, will be eligible for the Small Business Energy Incentive. These will include assets that upgrade to more efficient electrical goods such as energy-efficient fridges, assets that support electrification such as heat pumps and electric heating or cooling systems, and demand management assets such as batteries or thermal energy storage. Full details of eligibility criteria will be finalised in consultation with stakeholders.

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.

OTHER

Fighting Scams

The Government will provide \$86.5 million over four years from 2023–24 to combat scams and online fraud. Funding includes:

- \$58.0 million over three years from 2023–24 to establish the National Anti-Scam Centre within the Australian Competition and Consumer Commission to improve scam data sharing across government and the private sector and to establish public-private sector Fusion Cells to target specific scam issues
- \$17.6 million over four years from 2023–24 (and \$4.4 million per year ongoing) for the Australian Securities and Investments Commission (ASIC) to identify and take down phishing websites and other websites which promote investment scams, to be cost recovered through levies under ASIC's industry funding model.

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