

Australian Federal Budget 2023-24



What you need to know

Last night Treasurer Jim Chalmers announced the Federal Budget for 2023-24. Against a backdrop of high inflation, low unemployment and rising interest rates, the Labor government delivered a responsible budget that seeks to provide assistance for cost-of-living pressures without adding to inflation.

The projected surplus of \$4.2bn is the first surplus budget in 15 years, boosted by a stronger than expected jobs market and the rise in iron ore prices over the past year.

As expected, the budget included a range of measures to help lower income earners, support to the aged care and health sectors, and help small businesses accelerate Australia's green energy transition. There were no major surprises or new announcements relating to financial advice, superannuation or investments.

Read on for a summary of some of the key initiatives and how they may impact you.

Superannuation and retirement:

- As previously announced, the additional 15% earnings tax on **super balances over \$3 million** will be applied for the first time on 30 June 2026.
- The **Payday Super initiative** will require employers to pay their employees' Superannuation Guarantee (SG) contributions at the same time as their salary and wages from 1 July 2026.
- The Budget did not announce a further extension of the **temporary 50% reduction in the minimum annual payment amounts** for superannuation pensions and annuities. As a result, the 50% reduction in the minimum pension drawdowns, which has applied since the 2019-20 income year, will cease on 30 June 2023.

Cost of living support:

Bills and household expenses

- **Energy bill rebates** of up to \$500 for eligible households and \$650 for small businesses to be provided in conjunction with state and territory governments, commencing from July this year.
- **JobSeeker, Austudy** and **Youth Allowance** payments to increase by \$40 per fortnight.

- An expansion of **Parenting Payments (Single)** to allow single parents to receive financial support from the government until their child is 14 of age (from 8 currently).
- As announced in November, **Child Care Subsidy rates lift to 90%** for families on a combined income of \$80,000 or less from 1 July 2023. This will provide cheaper child care for around 1.2 million families.
- A **15% increase to the maximum rate of Commonwealth Rent Assistance** (stated to be equivalent to \$31 extra per fortnight) and a rise in the capital works depreciation rate on newly built-to-rent homes from 2.5% to 4% per year.

Health and medical

- Reform of Pharmaceutical Benefits Scheme (PBS) to allow the purchase of **60 days' worth of medicine from a single script** (compared to 30 days currently) for over 300 medicines commencing 1 September 2023, reducing the need for GP visits.
- **Tripling the bulk billing incentive** for patients under the age of 16, pensioners and concession card holders.
- \$556.2 million over the next five years, along with \$36.0 million ongoing, to strengthen Australia's **mental health and suicide prevention** system.
- **Increasing the excise on cigarettes** each year for the next 3 years commencing 1 September 2023, expected to generate \$3.3bn in additional revenues over those 3 years.

Aged care

- A **15% pay increase for aged care workers** commencing 1 July. The increase equates to around \$7,000 p.a. on average for each eligible worker.
- A range of funding initiatives allowing more older people to **continue to live in their homes** and to extend the Disability Support for Older Australians Program.

Small business

- A **\$20,000 instant asset write-off** for small businesses for energy-saving investments such as electrifying their heating and cooling systems, upgrading to more efficient fridges and induction cooktops, and installing batteries and heat pumps.

If you have any questions or concerns please talk to your financial adviser.

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