ALTERIS FINANCIAL GROUP

2022 Federal Budget

Overview

The Treasurer has delivered a budget that aims to drive Australia's economic recovery in a post-pandemic, natural disaster, and conflicted international environment.

The government reinforced its continued focus towards economic recovery through creating job opportunities, spending on large infrastructure projects, and encouraging business investment.

The 2022 Budget measures are quite targeted with a clear focus on alleviating increases in cost-of-living, and supporting low and middle income earners, social security recipients and those looking to buy a home. Measures include cost-of-living relief payments, tax cuts, improved parental leave, small business incentives, and investing in healthcare and essential services.

If you have any questions about what these measures mean for you, please don't hesitate to contact your adviser. Also, please note that these proposed measures are not yet law and could change as they make their way through the Parliamentary process.

Highlights

Retirees:

- Extension of the 50% temporary reduction in superannuation pension minimum drawdown rate to include the 2022-23 financial year

Individuals:

- A one-off $420 increase in the low and middle income tax offset for the 2021-22 financial year
- Paid parental leave

Small business:

- Small business tax deductions for skills and training programs and technology investment

Social security:

- One-off $250 payment in April 2022 to help ease the cost-of-living increases

Other:

- Temporary reduction in fuel excise by 22.1 cents a litre for 6 months
- Affordable housing and home ownership
- Digitalising trust income reporting and processing
- Extension of ATO Tax Avoidance Taskforce on multinationals, large corporates, and high wealth individuals

Reduced minimum pension payments extended

The government announced a 12-month extension of the temporary 50% reduction in superannuation minimum drawdown rates for account-based pensions and similar retirement income streams for the 2022-23 income year. This will apply to:

- Account-based pensions and annuities
- Transition-to-retirement pensions
- Term allocated pensions and annuities (also known as market-linked income streams).

Halving the minimum drawdown rates was originally announced as part of the response to the Coronavirus pandemic. Given ongoing volatility in financial markets due to the ongoing impacts of Coronavirus and the war in Ukraine, this change will allow retirees to avoid selling assets to satisfy the minimum drawdown requirements.

Age of Member	Legislated minimum pension payments	Temporary lower minimum for 2019-20 to 2022-23 income years
Under 65	4%	2.0%
65 – 74	5%	2.5%
75 – 79	6%	3.0%
80 – 84	7%	3.5%
85 – 89	9%	4.5%
90 – 94	11%	5.5%
95 or more	14%	7.0%

It is unclear at this stage whether the Government intends to implement this proposal prior to calling the election or whether it only intends to make the change if re-elected.

One-off cost of living tax offset

The government announced a one-off increase to the existing Low and Middle Income Tax Offset (LMITO) of $420 for this year only to help ease the cost of living for taxpayers. This increases the maximum LMITO benefit in 2021-22 to $1,500 for individuals and $3,000 for couples.

Based on our understanding of the announcement, the table below shows the LMITO an individual can receive depending on their taxable income:

Taxable Income	Existing LMITO	Proposed LMITO
$37,000 or less	$255	$675
Between $37,001 and $48,000	$255 plus 7.5 cents for every dollar of income above $37,000	$675 plus 7.5 cents for every dollar of income above $37,000
Between $48,001 and $90,000	$1,080	$1,500
Between $90,001 and $126,000	$1,080 minus 3 cents for every dollar of income above $90,000	$1,500 minus 3 cents for every dollar of income above $90,000
$126,000 or more	$0	$0

The existing and proposed LMITO are non-refundable tax offsets. While non-refundable tax offsets can be used to reduce an individual's tax liability to $0, unused tax offsets can't result in a tax refund and can't be used to reduce the Medicare Levy.

You don't need to complete anything in your tax return to claim this - the ATO will work out the amount of this offset based on your taxable income. There was no announcement to extend the LMITO, therefore, the LMITO is currently due to end after the 2021-22 financial year.

Paid parental leave

The Government is introducing an enhanced Paid Parental Leave (PPL) scheme for eligible working families from 2021-22 to provide increased choice for families to decide how best to manage work and care. Eligibility for the scheme is also being expanded.

Paid parental leave measures include:

- The enhanced Paid Parental Leave scheme will integrate Dad and Partner Pay and Parental Leave Pay to provide eligible families access to up to 20 weeks leave to use in ways that suit their specific circumstances.
- Broadening the income test to include an additional household income threshold of $350,000 to further support workforce participation, particularly for women who are the primary earner.
- Eligible single parents will be able to access an additional 2 weeks of Paid Parental Leave and also benefit from the household income threshold test.
- Dads and partners will be able to access the Government's scheme at the same time as any employer-funded leave, in the same way mothers currently can.

Small business incentives

Small businesses (with aggregated annual turnover of less than $50 million) will be able to deduct an additional 20 per cent of expenditure incurred on:

- External skills and training courses provided to train and upskill their employees. Some exclusions will apply. The tax deduction boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 (Budget night) until 30 June 2024.
- Business expenses and depreciating assets that support their digital adoption, such as portable payment devices, cyber security systems or subscriptions to cloud-based services. An annual expenditure cap of up to $100,000 will apply in each qualifying income year. The tax deduction boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 until 30 June 2023.

One-off cost of living payment

To help ease the cost of living pressures, a one-off payment of $250 will be made in April 2022 to eligible recipients of the following payments and to concession cards holders:

- Age Pension
- Disability Support Pension
- Parenting Payment
- Carer Payment
- Carer Allowance (if not in receipt of a primary income support payment)
- Pensioner Concession Card (PCC) holders
- Commonwealth Seniors Health Card holders
- Eligible Veterans' Affairs payment recipients and Veteran Gold card holders
- Jobseeker Payment
- Youth Allowance
- Austudy and Abstudy Living Allowance
- Farm Household Allowance
- Double Orphan Pension
- Special Benefit.

The payments are only available to Australian residents, are exempt from taxation and will not count as income support for the purposes of any income support payment. A person can only receive one economic support payment, even if they are eligible under two or more categories.

Funding for Aged Care

The government is continuing to implement aged care reforms in response to the Royal Commission into Aged Care Quality and Safety. Further funding is also being provided to help support the aged care sector and the 1.3 million senior Australians using these services.

Temporary reduction in fuel excise

Global oil prices have risen significantly since the Russian invasion of Ukraine. To reduce cost of living pressures experienced by Australian households and small businesses, the Government will halve the excise and excise-equivalent customs duty rate that applies to petrol and diesel from 44.2 cents to 22.1 cents a litres. This temporary reduction in fuel excise will commence on 30 March 2022 and applies for 6 months. The 50% reduction for 6 months applies to other fuel and petroleum-based products as well, except aviation fuels.

The Australian Competition and Consumer Commission (ACCC) will monitor the price behaviour of retailers to ensure that the lower excise rate is fully passed on to Australians.

Affordable Housing and Home Ownership

The number of guarantees under the Home Guarantee Scheme will increase to 50,000 per year for 3 years from 2022-23 and then 35,000 a year ongoing to support homebuyers to purchase a home with a lower deposit. The guarantees will be allocated to provide:

- 35,000 guarantees per year ongoing for the First Home Guarantee (formerly the First Home Loan Deposit Scheme)
- 5,000 places per year to 30 June 2025 for the Family Home Guarantee
- 10,000 places per year to 30 June 2025 for a new Regional Home Guarantee that will support eligible citizens and permanent residents who have not owned a home for 5 years to purchase a new home in a regional location with a minimum 5 per cent deposit.

Pharmaceutical Benefits Scheme – lowering the Safety Net threshold

From 1 July 2022, the PBS Safety Net thresholds will be reduced from $1,542.10 to $1,457.10 for general patients and from $326.40 to $244.80 for concessional patients.

As a result of these changes, concessional patients will reach the PBS Safety Net with approximately 12 fewer scripts per year, and two fewer scripts for general patients in a calendar year. On reaching the PBS Safety Net, concessional patients receive their PBS medicines at no cost for the rest of the calendar year and general patients receive their PBS medicines at the concessional co-payment rate which is currently $6.80 per prescription.

Medicare Levy low-income thresholds

The Medicare levy low-income thresholds will be increased from 1 July 2021. The increase in thresholds takes account of recent movements in the consumer price index so that low-income individuals continue to be exempt from paying the Medicare levy.

	Old Threshold	New threshold
Singles	$23,226	$23,365
Family	$39,167	$39,402
Single: Seniors and Pensioners	$36,705	$36,925
Family: Seniors and Pensioners	$51,094	$51,401
Dependent Child or Student	+$3,597	+$3,619

Upcoming legislative changes

Superannuation and financial services were not at the forefront of the 2022 Federal Budget. For many of our clients, especially those in the 67 to 74 age bracket, the focus will be on what is already scheduled to happen later this year:

- From 1 July 2022 - the removal of the work test for making super contributions from those aged 67 to 74 and transferring the work test to claiming a personal tax deduction for the contributions.
- From 1 July 2022 - extending the ability to bring forward two years of non-concessional contributions cap from age 67 to 74.

A recap of where proposals previously made are at:

Announcement	Status	Effective Date
Removal of work tests for personal and voluntary employer contributions for members aged 67-75	Regulations registered[1] and now law	1 July 2022
Requirement for members aged 67-75 to satisfy a work test (or work test exemption) to claim a deduction for a personal contribution	Change now law[2]	1 July 2022
Reducing the eligibility age for downsizer contributions from 65 to 60	Change now law[2]	1 July 2022
Removing the $450 per month superannuation guarantee eligibility threshold	Change now law[2]	1 July 2022
Maximum amount of voluntary contributions that can be released under the First Home Super Saver Scheme increased from $30,000 to $50,000	Change now law[2]	1 July 2022
Two-year window to commute certain legacy complying income streams	Bill yet to be introduced	TBC
Relaxing the residency requirements for superannuation funds by: • extending the central management and control safe harbour period from 2 years to 5 years • abolishing the active member test	Bill yet to be introduced	TBC

1. Treasury Laws Amendment (Enhancing Superannuation Outcomes) Regulations 2022
2. Treasury Laws Amendment (Enhancing Superannuation Outcomes For Australians and Helping Australian Businesses Invest) Act 2022