The Professional Super Advisers

Impact of the October 2022 Federal Budget

Item	Description	Impact

This paper includes new policy initiatives announced in the Federal Budget on 25 October 2022 as well as policy announcements and new legislation since the Labor Party won the Federal Election in May 2022. Most of these changes relate to social security issues as opposed to taxation and superannuation.

Social Security		
1. Commonwealth Seniors Health Card **Effective: 20 September 2022 (est)**	The income limits for the Commonwealth Seniors Health Card will increase from $57,761 to $90,000 for singles and from $92,416 to $144,000 for couples (combined).	• An estimated additional 50,000 self funded retirees are expected to gain access. • Income is defined as adjusted taxable income (plus deemed income from certain Account Based Pensions that commenced from 1 January 2015). As such, a couple could have Account Based Pensions of $1.7m each plus additional joint adjusted taxable income of almost $70,000 and still qualify.
2. Freeze of deeming rates **Effective: 1 July 2022**	The Government has frozen the deeming rates at their current levels for two years to 30 June 2024. The rates are currently 0.25% up to the income threshold ($56,400 single and $93,600 couple) and 2.25% above the income threshold.	• Social security recipients more likely to be able to maintain their current benefits / cards despite rising interest rates.

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3. Assets test exemption on sale of the family home. **Effective: The later of 1 January 2023 or one month after receiving Royal Assent**	The exemption from the assets test for proceeds from the sale of a house will be extended from 12 months to 2 years. The proceeds will be income tested at the lower deeming rate (currently 0.25%).	• Provides an incentive for pensioners to sell their home and potentially free up larger houses for families.
4. Boosting Parental Leave **Effective: 1 July 2024**	The Government will add an additional six weeks of paid Parental Leave for families, bumping the total leave payable up to 26 weeks.	• From 1 July 2024, the Government will start expanding the scheme with two additional weeks a year until the scheme reaches its full 26 weeks from July 2026. Furthermore, either partner can make a claim as the primary claimant.
5. Other social security and aged care initiatives	1. Cheaper childcare costs for more than 1.2 million families. 2. Cheaper medicines by reducing the PBS maximum general co-payment to $30 a script. 3. Fee-free TAFE and vocational education places – 180,000 places in 2023. 4. Allowing older Australians to keep more of their pension when they work. 5. A $3.9 billion package of reforms for the aged care sector. 6. Strengthening medicare funding with a commitment of $250 million a year from 1 July 2023 for 3 years to deliver better outcomes in relation to GP and hospital care.	

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Superannuation		
There were no major new superannuation initiatives announced in the Budget.		
Other superannuation initiatives	1. On 7 October 2022, the Government announced an Investors Roundtable to discuss topics such as: o addressing barriers to investment within the housing sector (e.g. public housing); o improving revenue streams and investor confidence in the project pipeline to meet risk and return preferences; and o identifying partnership opportunities for government co-investment. Furthermore, as part of the Federal Budget, the Government announced a National Housing Accord to address the supply and affordability of housing, recognising that most of this supply needs to come from the market. The majority of the Investor Roundtable participants are Australian superannuation funds so we must wait and see how superannuation rules and taxes may be changed to cater for the aspirational target of building one million new well located homes over five years. 2. Deferral of the previously proposed relaxation of residency rules for SMSFs. 3. Deferral of changes to legacy retirement products. 4. Confirming a commitment to reduce the minimum age to make downsizer superannuation contributions from age 60 to age 55. 5. No update provided in the Budget on the Government's controversial Non-Arms' Length Expense (NALE) rules which could lead to disproportional adverse outcomes to superannuation funds (including SMSFs) resulting from discounts on services provided to the fund.	

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Taxation		
There were no major new taxation initiatives announced in the Budget. However, the Treasurer scrapped the existing cap of tax as a percentage of GDP. As such we may see a rise in taxes in the future.		
Other taxation initiatives	1. Aligning the tax treatment of off market share buy backs undertaken by listed companies with the tax treatment of on market share buy backs. This may eliminate the distribution of franked distributions as part of buy back process. 2. Legislation has been introduced to exempt from Fringe Benefits Tax the use of eligible electric cars made available by employers to employees. This FBT exemption will apply to battery electric cars, hydrogen fuel cell electric cars and plug-in hybrid electric cars. The exemption will be available for eligible electric cars with a first retail price below the luxury car tax threshold for fuel efficient cars ($84,916 for 2022-23) first made available for use on or after 1 July 2022. 3. The Government has opened consultations on international corporate tax reforms as part of its commitment to ensuring multinationals pay their fair share of tax. The Government support the OECD/G20 two-pillar solution on reforms that included a global minimum corporate tax rate of 15 per cent.	

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