

Impact of the May 2023 Federal Budget

Item	Description	Impact
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This paper includes new policy initiatives announced on Budget Night of 9 May 2023 plus updates on other relevant proposals.

Taxation																										
<p>1. Personal Income Tax</p> <p>Effective: 1 July 2024</p>	<p>There was no mention in the Federal Budget of changes to or the abolition of the previously announced “Stage 3” tax rate changes. As such, the following changes originally from the 2019 Budget are scheduled to commence from 1 July 2024:</p> <table border="1" data-bbox="698 778 1310 1134"> <thead> <tr> <th>Income</th> <th>Existing rates</th> <th>New rates</th> </tr> </thead> <tbody> <tr> <td>\$0 to \$18,200</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>\$18,201 to \$45,000</td> <td>19%</td> <td>19%</td> </tr> <tr> <td>\$45,001 to \$120,000</td> <td>32.5%</td> <td></td> </tr> <tr> <td>\$120,001 to \$180,000</td> <td>37%</td> <td></td> </tr> <tr> <td>\$45,001 to \$200,000</td> <td></td> <td>30%</td> </tr> <tr> <td>\$180,001 +</td> <td>45%</td> <td></td> </tr> <tr> <td>\$200,001 +</td> <td></td> <td>45%</td> </tr> </tbody> </table>	Income	Existing rates	New rates	\$0 to \$18,200	Nil	Nil	\$18,201 to \$45,000	19%	19%	\$45,001 to \$120,000	32.5%		\$120,001 to \$180,000	37%		\$45,001 to \$200,000		30%	\$180,001 +	45%		\$200,001 +		45%	<ul style="list-style-type: none"> From the 2024/25 year, a 30% tax rate will apply for incomes between \$45,001 and \$200,000 (unless the Government amend the legislation prior to commencement date). A tax benefit of \$1,875 p.a. for someone earning \$120,000 p.a. and \$9,075 for someone earning \$200,000 p.a. No changes announced regarding changes to the capital gains tax 50% discount or to GST.
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2. Other tax initiatives	<ol style="list-style-type: none">1. Changes to the Petroleum Resource Rent Tax to bring forward the payment of tax by applicable oil and gas companies.2. From 1 January 2024 large Australian multinationals and the Australian operations of large foreign multinationals will pay an effective tax rate of at least 15 per cent. From 1 January 2025, Australia will also be able to tax the foreign operations of large foreign multinationals that operate in Australia, to ensure that they have paid at least 15 per cent tax.3. The Small Business Energy Incentive will provide businesses with annual turnover of less than \$50 million an additional 20 per cent deduction on total expenditure up to \$100,000 that supports electrification and more efficient use of energy. It will help small businesses make investments like electrifying their heating and cooling systems, upgrading to more efficient fridges and induction cooktops, and installing batteries and heat pumps. Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024.4. Energy Bill Relief Fund will provide up to \$3 billion in electricity bill relief to eligible small businesses and households in partnership with the states and territories.5. Administrative changes regarding small business tax returns including allowing longer to amend tax returns.6. Tax breaks to ensure more investment in build-to-rent projects.7. Cashflow relief for 2.1 million eligible small businesses by halving the increase in their quarterly tax instalments for GST and income tax in 2023–24. Instalments will only increase by 6 per cent instead of 12 per cent.	



Superannuation		
<p>1. Tax increase for individuals with superannuation balances over \$3 million</p> <p>Effective: Based on balance at 30 June 2026 and applicable from the 2025/26 tax year.</p>	<p>The Budget confirmed the Government’s previously announced proposal that individuals with superannuation balances over \$3m pay an additional 15% tax on their superannuation fund earnings, on top of the existing 15% tax rate. The new 15% tax will apply to ‘changes’ to in an individual’s total superannuation balance during an income year, to the extent that their individual balance exceeds \$3m. Treasury have released a paper setting out a simplified method of calculating the additional tax. This proposal has many unpopular consequences, such as taxing unrealised gains.</p>	<ul style="list-style-type: none"> • For those individuals who may be affected, we recommend waiting until after the rules are much clearer before making any decisions. We will keep affected clients up to date and will recommend an appropriate course of action. • Applicable action could include transferring the balance above \$3m out of the fund. This will depend upon ongoing marginal tax rates outside of super.
<p>2. Payday super</p> <p>Effective: 1 July 2026</p>	<p>Employers will be required to pay superannuation on payday, similar to how salaries are currently paid.</p>	<ul style="list-style-type: none"> • By switching to payday super, a 25-year-old median income earner currently receiving their super quarterly and wages fortnightly could be around \$6,000 or 1.5 per cent better off at retirement.
<p>3. Other superannuation initiatives</p>	<ol style="list-style-type: none"> 1. There was no extension announced to the temporary 50% reduction in the minimum pension payment amounts for superannuation pensions which has now been in place since 1 July 2019. Accordingly, superannuation will need to commence paying standard annual pension amounts from 1 July 2023. 2. No mention was made regarding changes to the upcoming Superannuation Guarantee rate increase. Accordingly, we anticipate that the current 10.5% rate will increase to 11% from 1 July 2023. 	



Social Security		
<p>1. Medicare</p> <p>Effective: Phased in from 1 September 2023</p>	<p>Tripling bulk billing incentives for children under 16, pensioners and other Commonwealth concession card holders in respect of:</p> <ul style="list-style-type: none">• all face-to-face and telehealth general practice services between 6 and 20 minutes long• all other face-to-face general practice consultations• longer telehealth and general practice consultations where a patient is registered with their regular practice through MyMedicare. <p>Funding for more Medicare Urgent Care Clinics and after hours primary care.</p> <p>Improving access through digital health and expansion of general practice.</p>	<ul style="list-style-type: none">• Medicare benefits for more than 11 million Australians.• Apply for your Commonwealth Seniors Health Card if eligible (age pension age and over, means tested)
<p>2. Increase in social security payments for the less well off.</p> <p>Effective: 20 September 2023</p>	<p>Rates of JobSeeker, Youth Allowance, Parenting Payment (Partnered), Austudy, ABSTUDY, Youth Disability Support Pension and Special Benefit will rise by \$40 a fortnight.</p> <p>Commonwealth Rent Assistance will rise by 15%.</p>	<ul style="list-style-type: none">• Increase payments for 1.1m Australians.• For a single Commonwealth Rent Assistance recipient with no dependents, not sharing and receiving the maximum amount of rent assistance, it means their payment can increase from \$157.20 a fortnight to \$180.80



	<p>Eligibility for the existing higher rate of JobSeeker will be expanded to single recipients aged 55 and over who have been on income support for nine or more continuous months. These rules currently apply from age 60.</p>	
<p>3. Extending the financial safety net for single parents Effective: 20 September 2023</p>	<p>Expand access to financial support by raising the cut-off age for the Parenting Payment (Single) from 8 to 14.</p>	<ul style="list-style-type: none">• Single parents will no longer need to apply for JobSeeker when their youngest child turns 8, they can instead remain on the Parenting Payment and will continue to receive the higher payment of \$922.10 per fortnight.• Existing eligible single parents will see a lift of \$176.90 per fortnight from 20 September 2023.
<p>4. Energy Relief Effective: 1 July 2023</p>	<p>Up to \$500 in electricity bill relief for eligible households and up to \$650 for eligible small businesses.</p> <p>\$1bn will be provided to the Clean Energy Finance Corporation to provide low interest loans through banks and other lenders on upgrading homes with battery-ready solar PV, modern appliances and other improvements.</p>	<ul style="list-style-type: none">• Providing energy bill relief to over 5 million households and 1 million small businesses• Helping 170,000 households save on energy bills by financing energy saving home upgrades.



5. Other social security and aged care initiatives

1. More than 300 Pharmaceutical Benefits Scheme medicines to be dispensed in greater amounts, phased in from 1 September 2023. Some patients will be able to get 2 months' worth of the medicine they need for a stable, chronic health condition.
2. Encouraging investment in more housing including tax breaks to boost investment in build-to-rent projects.
3. From 1 July this year, Parental Leave Pay and Dad and Partner Pay will combine into a single 20-week payment. A new family income test of \$350,000 per annum will see nearly 3,000 additional parents become eligible for the entitlement each year. The Government has committed to increase Paid Parental Leave to 26 weeks by 2026.
4. Funding of a further 300,000 TAFE and vocational education training places to become fee-free.
5. Delivering a 15 per cent pay rise on award wages for aged care workers.
6. Changes to the National Disability Insurance Scheme including initiatives to make it more sustainable, greater say for NDIS participants and a further investment to fight fraud.

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This list is a summary of the May 2023 Federal Budget in so far as it generally affects clients of The Professional Super Advisers. It is not meant to be an exhaustive list of issues and strategies to consider. The information has been sourced from various Government websites. The Professional Super Advisers believe that the information herein is accurate and reliable, but no warranty on accuracy or reliability is given and no responsibility arising in any way for errors or omissions (including responsibility by reason of negligence) is accepted by any member of the company or its representatives. This disclaimer is subject to any contrary provisions of the Competition and Consumer Act. Taxation considerations are based on current laws and their interpretation at the date of preparation of this paper