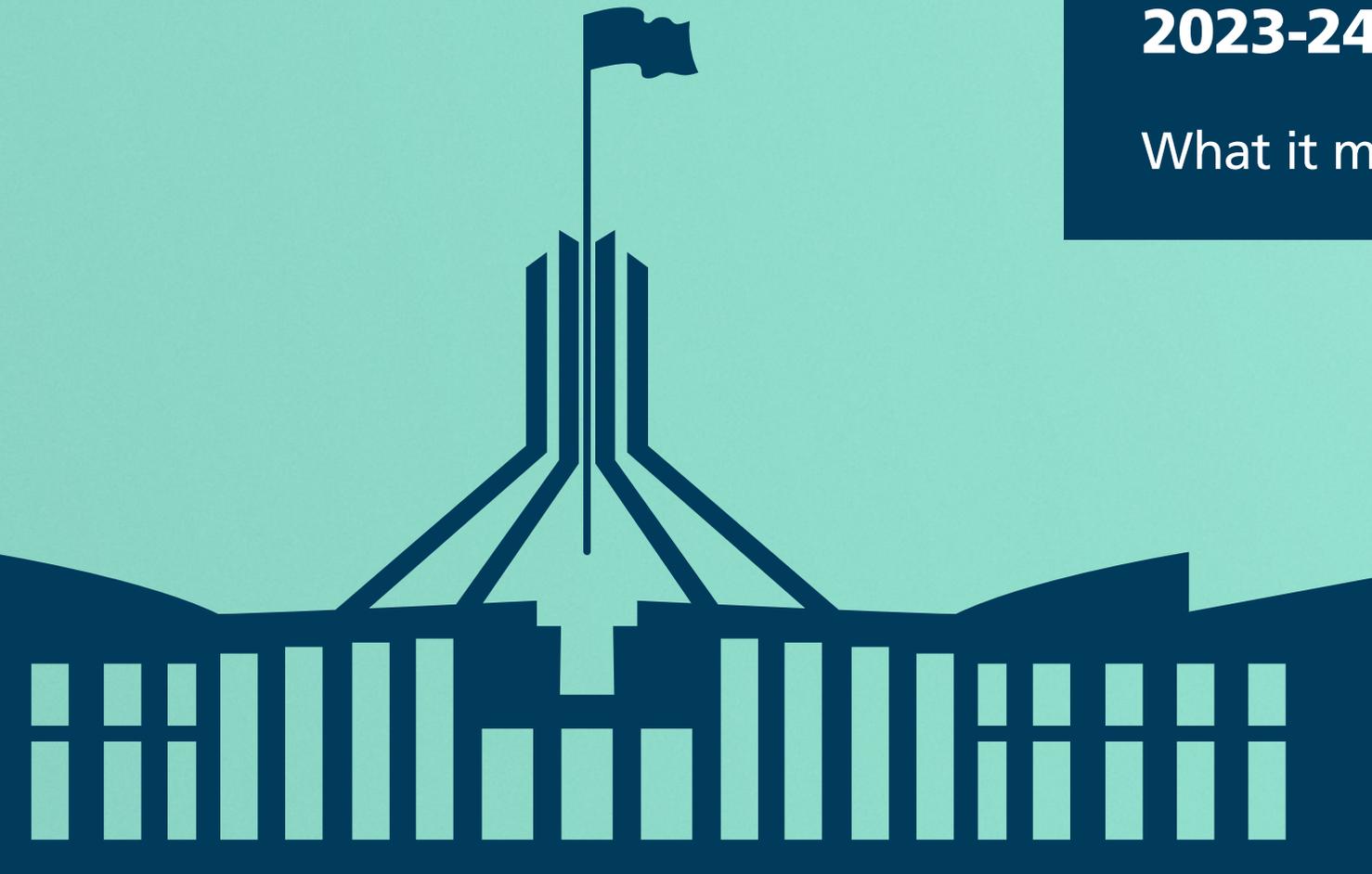


Federal Budget Report

2023-24

What it means for you



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On Tuesday 9 May, the Government announced its budget for 2023-24. With a strong focus on cost-of-living relief while taking the pressure off inflation, this budget also delivers investment across a number of Government services.

As some measures have already been making headlines, perhaps you've seen media coverage on what was included this year. In this update we're bringing you a brief summary of changes that could have an impact on your planning for, or life in, retirement. We've also included a recap of the legislative changes around super that could make a difference to your finances and income in the coming financial year.

If you have questions about what these measures mean for you and your retirement plans, your financial adviser can help you understand how they could affect you.

It's important to keep in mind that these are proposed measures. They haven't been passed into law and could change as they make their way through Parliament.

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Stage 3 personal income tax changes on track for July 2024

The Government is leaving the legislated Stage 3 personal income tax reforms unchanged. From July 2024, the personal income tax system will move from four tax bands to three, with more Australian income earners falling within the new 30% tax band. After this date, the highest marginal tax rate of 45% will only apply for annual income above \$200,000.

2022-23 and 2023-24		From 2024-25	
\$0 to \$18,200	Nil	\$0 - \$18,200	Nil
\$18,201 - \$45,000	19% for amounts over \$18,200	\$18,201 - \$45,000	19% for amounts over \$18,200
\$45,001 - \$120,000	\$5,092 + 32.5% for amounts over \$45,000	\$45,001 - \$200,000	\$5,092 + 30% for amounts over \$45,000
\$120,001 - \$180,000	\$29,467 + 37% for amounts over \$120,000	\$200,001, and over	\$51,592 + 45% for amounts over \$200,000
\$180,001 and over	\$51,667 + 45% for amounts over \$180,000		

As a result, you could see a reduction in the tax you pay from 1 July 2024. See the chart below to see how your tax liability could change.

Income	Personal income tax in 2022-23	Personal income tax in 2024-25	Difference in tax
\$18,200	Nil	Nil	Nil
\$50,000	\$6,717	\$6,592	\$125
\$100,000	\$22,967	\$21,592	\$1,375
\$150,000	\$40,567	\$36,592	\$3,975
\$200,000	\$60,667	\$51,592	\$9,075
\$250,000	\$83,167	\$74,092	\$9,075

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Increase in Medicare Levy exemption thresholds

The income limits when the Medicare Levy applies for singles and families and for seniors and pensioners will be increased for the 2022-23 financial year.

The threshold for singles will increase to \$24,276 per year and \$40,939 for families with no children. The additional threshold amount for each dependent child or student increases to \$3,760 per year. For individuals and couples who are eligible for the Seniors and Pensioners Tax Offset (SAPTO), the thresholds increases to \$38,365 and \$53,406 per year respectively.

Medicare Levy thresholds

	2021-22	2022-23
Single	\$23,365	\$24,276
Single eligible for SAPTO	\$36,925	\$38,365
Family	\$39,402	\$40,939
Couple eligible for SAPTO	\$51,401	\$53,406
Additional threshold for each dependent child	\$3,619	\$3,760

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Increasing working age and student payment rates

The Government is proposing a \$40 increase to a number of fortnightly social security payments from 20 September 2023, including JobSeeker payments. This is in addition to standard indexation increases in September and March each year.

The increase will apply to the following payments:

- JobSeeker Payment (other than certain single principal carers of a dependent child exempted from mutual obligations);
- Youth Allowance;
- Parenting Payment (Partnered);
- Austudy and ABSTUDY;
- Disability Support Pension (Youth);
- Special Benefit; and
- Farm Household Allowance

To help older workers facing barriers to employment, the Government is also extending access to the higher Job Seeker payment rate for singles who have been on the payment for nine or more consecutive months. People age 55 or older will be eligible for the higher payment rate from 20 September 2023.

**\$40 per fortnight
increase in some
payments including
JobSeeker**

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JobSeeker payment rates (at 20 March 2023)

Family situation	Maximum fortnightly rate
Single, no children	\$693.10
Single, with a dependent child or children	\$745.20
Single, 60 or older, after nine continuous months on payment	\$745.20
Partnered	\$631.20
Single principal carer granted an exemption from mutual obligation requirements for any of the following: <ul style="list-style-type: none"> • foster caring • non-parent relative caring under a court order • home schooling • distance education • large family 	\$949.30

Source: Services Australia

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Increasing Rent Assistance payment rate

With rents increasing rapidly across the country, the Government has proposed a 15% increase to the maximum rate of Rent Assistance from 20 September 2023. It's not yet clear whether this increase will be in addition to the standard indexation increase.

Qualifying for an income support payment is a key eligibility requirement for Rent Assistance. If you're retired and renting, being eligible for a part or full Age Pension can also give you access to Rent Assistance payments.

Current and proposed maximum rates for Rent Assistance

Family situation	Current maximum rate as at 20 March 2023	Proposed maximum rate from 20 September 2023
Single	\$157.20	\$180.78
Single, sharer	\$104.80	\$120.52
Couple, combined	\$148.00	\$170.20
One of a couple separated due to illness	\$157.20	\$180.78
One of a couple temporarily separated	\$148.00	\$170.20

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Electricity Bill Relief

To help households with rising energy costs, the Government has proposed electricity bill relief of up to \$500 per year for each eligible household. The relief will apply from 1 July 2023 until 30 June 2024 and will be administered by state and territory governments, along with energy retailers.

If you're eligible, you don't have to do anything to claim this benefit – your energy provider will apply a discount to your bill.

- Pensioner Concession Card
- Health Care Card (including the Low Income Health Care Card)
- DVA Gold Card
- Commonwealth Seniors Health Card
- Carer Allowance

States and territory governments, along with energy retailers, will deliver the rebate to eligible individuals through a reduction in their energy bills.

Up to \$500 electricity bill relief for eligible households

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More incentives for Medicare bulk billing

The Government has proposed to triple incentives for general practitioners (GPs) to bulk bill patients holding a Commonwealth concession card (such as the Pensioner Concession Card and the Commonwealth Seniors Health Card) and patients under 16.

These incentives would apply to:

- All face-to-face GP consultations over six minutes
- All telehealth GP services between six to 20 minutes (Level B consultations)
- Longer telehealth GP consultations for patients registered with their GP through MyMedicare.

Improving the aged care system

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To continue improvements in access and quality for aged care, the Government has announced:

- Additional funding of \$166.8 million for 9,500 extra Home Care Packages in 2023-24;
- \$144.6 million (including \$73.1 million in 2023-24 and \$71.5 million over 4 years from 2023-24) towards developing the new Support at Home Program. This new system brings together the Home Care Packages and Commonwealth Home Support programs. Originally scheduled for launch on 1 July 2024, Support at Home will now start from 1 July 2025;
- \$11.3 billion to increase award wages by 15% for aged care workers including registered nurses, enrolled nurses, assistants in nursing, personal care workers, home care workers, recreational activity officers, and some head chefs and cooks; and
- Additional funding of \$827.2 million over five years from 2022-23 to continue improving the delivery of aged care services and respond to recommendations from the final report of the Royal Commission into Aged Care Quality and Safety.

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Tax concession reduction on super balances over \$3 million

In a consultation paper released in March, the Government put forward a change in taxation for earnings on total super balances (TSB) of more than \$3 million. The proposed change would be introduced from 1 July 2025 and tax on these earnings would be an additional 15%.

Tax would be calculated based on:

- The change in balance over the financial year, taking into account withdrawals and contributions; and
- Percentage of earnings attributable to the proportion of the TSB balance over \$3 million.

Change in timing of Super Guarantee payments

Effective from 1 July 2026, employers will be required to make Superannuation Guarantee (SG) payments on the same day as salaries and wages. This replaces the quarterly payment schedule required under current legislation. Rules for the SG charge that applies for late SG payments will also be updated to reflect this change in payment frequency.

Changes in legislation for superannuation

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From 1 July 2023, a number of changes will be rolled out across the superannuation system. While these were not included in this budget announcement, here's a reminder of what's happening with super in the next financial year.

Pension minimum payments revert from 1 July 2023

During the COVID pandemic, the Coalition Government introduced a 50% reduction in minimum drawdown payments from account-based income streams. This measure applied for the financial years from 2019-20 to 2022-23 inclusive.

The minimum withdrawal rate will revert back to normal from 1 July 2023.

Minimum drawdown payment rates

Age	2019-20 to 2022-23 financial years (inclusive)	From 1 July 2023
Under 65	2%	4.0%
65–74	2.5%	5.0%
75–79	3%	6.0%
80–84	3.5%	7.0%
85–89	4.5%	9.0%
90–94	5.5%	11.0%
95 +	7%	14.0%

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Indexation of the general transfer balance cap to \$1.9 million

From 1 July 2023, the general transfer balance cap (TBC) rises from \$1.7 million to \$1.9 million in line with changes in the Consumer Price Index.

This can have an impact on your plans for your super at retirement, whether you have savings in an accumulation account or defined benefit scheme. It's also something to keep in mind when you're looking at making extra personal contributions to your super.

Eligibility age for Age Pension rises to 67

From 1 July 2023, the Age Pension eligibility age will rise to 67 for those born on or after 1 Jan 1957.

Under Government legislation, the eligibility age was set to increase by six months at two year intervals until it reached 67 on 1 July this year.

Transfer balance cap increases to \$1.9 million

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Want to know more about these or other measures announced in this year's Federal Budget?

Get in touch with your financial adviser – they'll be happy to talk everything through with you. Or contact our friendly Challenger team.

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