

FEDERAL BUDGET 2022-23

Introduction

On Tuesday 29 March, Treasurer Josh Frydenberg handed down the 2022 Federal Budget. The Treasurer detailed the current state of the economy, a plan to help Australia move past a difficult two-year period following the pandemic and a number of measures to improve cost of living pressures.

As anticipated, it included several *sweeteners* to help view the incumbent government in a favourable light – especially important when you consider the upcoming election to be held on 21 May 2022.

A summary of announcements are highlighted below:

***as always it is important to note that at this point, these Budget announcements are only statements of intended change and are not yet law*

Key take-outs

Some of the key take-outs from the budget include:

- ❖ A \$79.8 billion deficit for 2021-22
- ❖ Net debt of \$631.5 billion for 2021-22 – expected to peak at \$864.7 billion in 2025-26
- ❖ Wage growth of 2.75% for 2021-22 – expected to reach 3.5% in 2024-25
- ❖ Inflation of 4.25% for 2021-22 – expected to fall to 2.75% in 2023-24
- ❖ The unemployment rate is expected to fall to 3.75 in 2022-23

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Easing cost of living pressures

From 1 July 2022, in excess of 10 million individuals will receive a one-off \$420 cost of living tax offset. When added to the low and middle income tax offset (LMITO), eligible low and middle income earners will receive up to \$1,500 for a single income household, or up to \$3,000 for a dual income household. However, LMITO will end post the 2022 financial year.

In addition, to assist some Australians in meeting their cost of living pressures, the Government has announced a one-off income tax exempt payment of \$250. This payment will assist over 6 million individuals - more than half of which are pensioners - at a cost of \$1.5 billion.

Superannuation

The 50% reduction of the superannuation minimum drawdown requirements for account-based pensions and other similar products, has been extended for a further year to 30 June 2023.

Given current volatility, this extension will allow retirees to avoid using superannuation cash reserves or selling down superannuation assets in order to satisfy their minimum drawdown requirements.

Affordable home ownership

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

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Temporary fuel excise relief

With recent fuel prices rising to record levels, adding further cost of living pressures, the fuel excise will be reduced by 50% for the next six months.

This will see excise on petrol and diesel cut from 44.2 cents per litre to 22.1 cents per litre – providing an average price reduction of approx. \$15 per fuel tank. This price reduction will flow through to the majority of service stations within the next few weeks.

Aged Care

Adding to the \$18.3 billion committed in 2021-22, the Government is continuing to implement aged care reforms and additional services in response to the Royal Commission into Aged Care Quality and Safety.

A further \$468.3 million is being invested in support for the aged care sector and the 1.3 million senior Australians using these services.

Small Business

\$2.8 billion has been committed to increase take up of apprentices, with up to \$15,000 wage subsidies for employers who take on a new apprentice. \$3.7 billion is being invested on skills reform to support an additional 800,000 trade places.

Small businesses with annual turnover of less than \$50 million will have access to a new bonus 20% deduction for the cost of external training courses delivered to their employees by providers registered in Australia. The boost will apply to eligible expenses incurred from Budget night through until 30 June 2024. This initiative will provide \$550 million in tax relief for small businesses.

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Major infrastructure projects

The Government is providing an additional \$7.4 billion for new and expanded dam projects intended to increase water security, build drought resilience for the future and promote regional economic development.

This includes \$6.6 billion for water infrastructure in Queensland to facilitate the development of a new food bowl in Australia's north and unlock new agricultural export opportunities.

Enhanced military capabilities

The Government is investing \$575 billion in the nation's Defence Force over the decade to 2029-30, including \$270 billion for defence capability.

These new defence capabilities will include:

- ❖ At least \$38 billion to boost the Defence workforce by 18,500 personnel by 2040
- ❖ More than \$10 billion for future naval infrastructure, including a new submarine base on the east coast of Australia
- ❖ \$3.5 billion for up to 75 new M1A2 Abrams tanks and other armoured vehicles

For more information regarding the Federal Budget announcements, please contact your Paradigm Group financial advisor

This information does not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness, having regard to these factors before acting on it.