

2022-23 October Federal Budget at a glance

Earlier this evening the Treasurer, Mr Jim Chalmers, delivered his first Budget, saying it is a responsible Budget that is right for the times and readies us for the future.

Economic and Fiscal outlook

While Australia has withstood the pandemic well, it is not immune to the intensifying global challenges and risks. Domestic disruptions including the recent floods will test our resilience further. While the economy is forecast to grow by 3¼ per cent in 2022–23, the weaker global outlook, high inflation, cost-of-living pressures, and higher interest rates are expected to see growth slow to 1½ per cent in 2023–24. Inflation is forecast to be more persistent than at PEFO (2022 Pre-election Economic and Fiscal Outlook). Annual inflation is expected to peak at 7¾ per cent in late 2022, before moderating gradually to 3½ per cent by June 2024 and returning to the Reserve Bank’s inflation target by 2024–25.

In line with the weaker outlook for growth, the current tightness in the labour market is forecast to gradually ease over the coming years. While labour demand is expected to soften alongside slower growth in 2023–24, employment growth is forecast to remain positive. The unemployment rate is forecast to rise to 4½ per cent by the June quarter of 2024 but remain below pre-pandemic levels. Workforce participation is expected to ease from recent record highs but remain structurally higher than projected at PEFO, expanding the supply capacity of the economy.

Nominal GDP is forecast to grow strongly at 8 per cent in 2022–23, reflecting high commodity prices and strong recent growth in employment and nominal household consumption. Nominal GDP is then expected to fall by 1 per cent in 2023–24 due to the assumed decline in commodity prices and associated decline in Australia’s terms of trade. Higher nominal GDP in the near term will flow through to upgrades in tax receipts.

Budget improvements of \$28.5 billion have been made since PEFO from unwinding wasteful spending, redirecting spending toward higher quality investments and priorities, and improving the integrity and fairness of the tax system. As a result, the underlying cash deficit is estimated to be \$36.9 billion (1.5 per cent of GDP) in 2022–23.

Executive summary

Superannuation

Expanding eligibility for downsizer contributions: The Government will allow more people to make downsizer contributions to their superannuation, by reducing the minimum eligibility age from 60 to 55 years of age. The measure will have effect from the start of the first quarter after Royal Assent of the enabling legislation.

Providing certainty on unlegislated tax and superannuation measures: The Government has provided certainty on unlegislated tax and super measures announced by the previous Government, indicating that some measures will not proceed and other measures will have their start date deferred.

Support for older Australians

Incentivising Pensioners to Downsize: To reduce the financial impact on pensioners looking to downsize their homes in an effort to minimise the burden on older Australians and free up housing stock for younger families the Government will:

- extend the assets test exemption for principal home sale proceeds from 12 months to 24 months for income support recipients and
- change the income test, to apply only the lower deeming rate (0.25 per cent) to principal home sale proceeds when calculating deemed income for 24 months after the sale of the principal home.

Incentivising pensioners into the workforce: The Government will provide age and veterans pensioners a once off credit of \$4,000 to their Work Bonus income bank. The temporary income bank top up will increase the amount pensioners can earn in 2022–23 from \$7,800 to \$11,800, before their pension is reduced, supporting pensioners who want to work or work more hours to do so without losing their pension.

Income Threshold for the Commonwealth Seniors Health Card increased: The Government will increase the income threshold for the Commonwealth Seniors Health Card from \$61,284 to \$90,000 for singles and from \$98,054 to \$144,000 (combined) for couples.

Social Security deeming rates frozen for two years: The Government will also freeze social security deeming rates at their current levels for a further two years until 30 June 2024, to support older Australians who rely on income from deemed financial investments, as well as the pension, to deal with the rising cost of living.

Financial Services measures

Australia's Foreign Investment Framework – increase to fees and penalties: The Government has increased foreign investment fees and will increase financial penalties for breaches that relate to residential land. Fees doubled on 29 July 2022 for all applications made under the foreign investment framework. The maximum financial penalties that can be applied for breaches in relation to residential land will also double on 1 January 2023.

Managed Investment Schemes: Funding will be made available in 2022-23 for the Treasury to support reviews of the Reserve Bank of Australia and the regulatory framework for managed investment schemes.

Financial advice: The Government has announced support for the Australian Securities and Investments Commission to administer the financial adviser exam.

Other measures

Housing Accord: The Government will commit \$350 million over 5 years to deliver 10,000 affordable dwellings under a Housing Accord with state and territory governments and other key stakeholders. The Commonwealth support will include availability payments over the longer term to facilitate institutional investment, including by superannuation funds, in affordable homes.

Energy Efficiency Grants for Small and Medium Sized Enterprises: The Government will provide funding over 3 years from 2022–23 to support small to medium enterprises to fund energy efficient equipment upgrades. The funding will support studies, planning, equipment and facility upgrade projects that will improve energy efficiency, reduce emissions or improve the management of power demand.

Health care: The Government continues to invest in a stronger health system and will be providing funding for:

- Improved access to mental health services
- World class cancer centres in Brisbane and Adelaide
- Support to people with disabilities and their families through the NDIS.

Aged Care: The Government will provide funding to reform the aged care system, to improve the delivery of aged care services and respond to the Final Report of the Royal Commission into Aged Care Quality and Safety.

Boosting Parental Leave: The Government will introduce reforms from 1 July 2023 to make the *Paid Parental Leave Scheme* flexible for families so that either parent is able to claim the payment and both birth parents and non-birth parents are allowed to receive the payment if they meet the eligibility criteria. Parents will also be able to claim weeks of the payment concurrently so they can take leave at the same time. Additionally, from 1 July 2024, the Government will start expanding the scheme by two additional weeks a year until it reaches a full 26 weeks from 1 July 2026.

Electric Car Discount: From 1 July 2022, the measure will exempt battery, hydrogen fuel cell and plug-in hybrid electric cars from fringe benefits tax and import tariffs if they have a first retail price below the luxury car tax threshold for fuel-efficient cars. The car must not have been held or used before 1 July 2022. Employers will also need to include exempt electric car fringe benefits in an employee's reportable fringe benefits amount.

Superannuation

Expanding eligibility for downsizer contributions

The Government will allow more people to make downsizer contributions to their superannuation, by reducing the minimum eligibility age from 60 to 55 years of age. The measure will have effect from the start of the first quarter after Royal Assent of the enabling legislation.

The downsizer contribution allows people to make a one-off post-tax contribution to their superannuation of up to \$300,000 per person from the proceeds of selling their home. Both members of a couple can contribute and contributions do not count towards non-concessional contribution caps.

This measure provides greater flexibility to contribute to superannuation and aims to encourage older Australians to downsize sooner to a home that better suits their needs, thereby increasing the availability of suitable housing for Australian families.

Providing certainty on unlegislated superannuation measures announced by the previous Government

The Government has reviewed and will not proceed with the following superannuation measures that were announced but not legislated by the previous Government:

- The 2018–19 Budget measure that proposed changing the annual audit requirement for certain self-managed superannuation funds (SMSFs).
- The 2018–19 Budget measure that proposed introducing a requirement for retirement income product providers to report standardised metrics in product disclosure statements.

Further, the Government will defer the start date of the following superannuation measure to allow sufficient time for policies to be legislated and implemented:

- The 2021–22 Budget measure that proposed relaxing residency requirements for SMSFs, from 1 July 2022 to the income year commencing on or after the date of Royal Assent of the enabling legislation.

Support for pensioners and older Australians

Incentivising Pensioners to Downsize

The Government will provide \$73.2 million over 4 years from 2022–23 (and \$0.4 million per year ongoing), including:

- extending the assets test exemption for principal home sale proceeds from 12 months to 24 months for income support recipients
- changing the income test, to apply only the lower deeming rate (0.25 per cent) to principal home sale proceeds when calculating deemed income for 24 months after the sale of the principal home.

This measure will reduce the financial impact on pensioners looking to downsize their homes in an effort to minimise the burden on older Australians and free up housing stock for younger families.

Jobs and Skills Summit – incentivise pensioners into the workforce

The Government will provide \$61.9 million over two years from 2022–23 to provide age and veterans pensioners a once off credit of \$4,000 to their Work Bonus income bank.

The temporary income bank top up will increase the amount pensioners can earn in 2022–23 from \$7,800 to \$11,800, before their pension is reduced, supporting pensioners who want to work or work more hours to do so without losing their pension.

Lifting the Income Threshold for the Commonwealth Seniors Health Card

The Government will provide \$69.6 million over 4 years from 2022–23 to increase the income threshold for the Commonwealth Seniors Health Card from \$61,284 to \$90,000 for singles and from \$98,054 to \$144,000 (combined) for couples.

The Government will also freeze social security deeming rates at their current levels for a further two years until 30 June 2024, to support older Australians who rely on income from deemed financial investments, as well as the pension, to deal with the rising cost of living.

Financial services measures

Australia's Foreign Investment Framework – increase to fees and penalties

The Government has increased foreign investment fees and will increase financial penalties for breaches that relate to residential land. Fees doubled on 29 July 2022 for all applications made under the foreign investment framework. The maximum financial penalties that can be applied for breaches in relation to residential land will also double on 1 January 2023.

Fees ensure Australians do not bear the cost of administering the foreign investment framework, and penalties encourage compliance with these rules.

Managed investments and support to ASIC for financial adviser exams

The Government will provide additional funding to support the delivery of Government priorities in the Treasury portfolio, including:

- \$2.7 million in 2022–23 for the Treasury to support reviews of the Reserve Bank of Australia and the regulatory framework for managed investment schemes
 - support for the Australian Securities and Investments Commission to administer the financial adviser exam, to be partially cost recovered from examination fees (costs are not for publication due to commercial sensitivities).
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Small and medium businesses

Energy Efficiency Grants for Small and Medium Sized Enterprises

The Government will provide \$62.6 million over 3 years from 2022–23 to support small to medium enterprises to fund energy efficient equipment upgrades. The funding will support studies, planning, equipment and facility upgrade projects that will improve energy efficiency, reduce emissions or improve the management of power demand.

Supporting Small Business Owners

The Government will provide \$15.1 million over two calendar years from 1 January 2023 until 31 December 2024 to extend the Small Business Debt Helpline and the NewAccess for Small Business Owners programs to support the financial and mental wellbeing of small business owners.

Paid Family and Domestic Violence Leave – small business assistance

The Government will provide \$3.4 million over 4 years from 2022–23 to support the development and delivery of education, technical advice and support services targeting the needs of small business employers to support the implementation of the Government's election commitment to legislate 10 days of paid family and domestic violence leave.

Health care

Mental Health

The Government will provide \$24.3 million over 4 years from 2022–23 (including \$6.6 million per year ongoing) to improve access to mental health services, including:

- Expanding and strengthening the national network of headspace services with 3 new centres located in Edmondson Park in New South Wales (NSW), in Armstrong Creek and South Melbourne in Victoria, and two satellite services located in Kiama in NSW and Bribie Island in Queensland
- Funding for MATES in Manufacturing for field officers to run workshops aimed at preventing suicide in the manufacturing sector.

Plan for the National Disability Insurance Scheme

The Government will provide \$437.4 million over 3 years from 2022–23 to support people with disability and their families, including:

- Additional funding to the National Disability Insurance Agency (NDIA) for operational funding to support National Disability Insurance Scheme (NDIS) participants
- Funding for NDIS Appeals providers to support people with disability and their families with the Administrative Appeals Tribunal (AAT) appeals process
- Review of NDIS design, operations and sustainability
- Introducing an expert review pathway to resolve disputes arising from NDIA decisions, reduce the number of appeals to the AAT, and provide better and earlier outcomes for NDIS participants
- Expanding residential accommodation for people with disability at Jindelara Cottage in Ulladulla, New South Wales.

Comprehensive Cancer Centres

The Government will provide \$452.0 million over 6 years from 2022–23 to support the establishment of world class cancer centres in Brisbane and Adelaide. Funding includes a contribution to the establishment of:

- the Queensland Cancer Centre in Brisbane. The centre will be owned and operated by the Queensland Government and will be located within the Herston Health Precinct at the Royal Brisbane and Women's Hospital.
- the Bragg Comprehensive Cancer Centre in Adelaide. The centre is an extension of the Australian Bragg Centre for Proton Therapy and Research at the South Australian Health and Medical Research Institute.

The centres will provide multi-disciplinary cancer care, research and clinical trials for all types of cancers.

Aged care

Fixing the Aged Care Crisis

The Government will provide \$2.5 billion over 4 years from 2022–23 to reform the aged care system. Funding includes:

- Improving the quality of care in residential aged care facilities by requiring all facilities to have a registered nurse onsite 24 hours per day, 7 days a week from 1 July 2023 and increasing care minutes to 215 minutes per resident per day from 1 October 2024
- Improving aged care infrastructure and services that provide additional support to older First Nations peoples, and older Australians from diverse communities and regional areas
- Establishment of the Aged Care Complaints Commissioner within the Aged Care Quality and Safety Commission from December 2022
- Increased financial transparency through the introduction of new financial reporting requirements for residential aged care providers
- Establishment of a national registration scheme and code of conduct for personal care workers in the aged care sector.

The Government will also:

- improve continuity of care by requiring aged care providers to preference direct employment for their staff
- improve governance in the aged care sector by strengthening regulation of aged care providers, including through new civil penalties to better protect whistle blowers and ordering providers to pay compensation to care recipients where loss or damage has occurred due to neglect
- cap administration and management fees charged by providers in the Home Care Packages Program.

Implementing Aged Care Reform

The Government will provide \$540.3 million over 4 years from 2022–23 to improve the delivery of aged care services and respond to the Final Report of the Royal Commission into Aged Care Quality and Safety. Funding includes:

- Essential aged care information and communication technologies system maintenance and enhancements, including streamlined reporting, and to enable aged care sector reform
- Expansion and extension of the Regional Stewardship of the Aged Care outreach model to strengthen governance and to support the implementation of aged care reforms in regional areas
- Extending the Disability Support for Older Australians Program to 31 December 2023
- Expanding eligibility for the Australian National Aged Care Classification Transition Fund by including the Basic Daily Fee supplement in the calculation that determines the amount of financial support for facilities
- Establishment of the Inspector-General of Aged Care and the Office of the Inspector-General of Aged Care as a Statutory Agency
- Supporting the implementation of the Support at Home Program from July 2024 through conducting a large scale trial of an integrated assessment tool, the establishment of a Service List Advisory Body, commissioning the Independent Hospital and Aged Care Pricing Authority to undertake a pricing study, and to consult with the aged care sector.

The Government will also extend existing grant arrangements for the *Commonwealth Home Support Programme* for a further 12 months to 30 June 2024 to reflect the new start date of 1 July 2024 for the *Support at Home Program*.

Other measures

Housing Accord

The Australian Government will provide \$350.0 million over 5 years from 2024–25 to support funding of an additional 10,000 affordable homes under a Housing Accord with state and territory governments and other key stakeholders.

The Commonwealth support will include availability payments over the longer term to facilitate institutional investment, including by superannuation funds, in affordable homes.

This measure complements the Government’s investment in the Housing Australia Future Fund, which will provide a further 30,000 social and affordable homes over 5 years.

Boosting Parental Leave

The Government will introduce reforms from 1 July 2023 to make the *Paid Parental Leave Scheme* flexible for families so that either parent is able to claim the payment and both birth parents and non-birth parents are allowed to receive the payment if they meet the eligibility criteria. Parents will also be able to claim weeks of the payment concurrently so they can take leave at the same time.

From 1 July 2024, the Government will start expanding the scheme by two additional weeks a year until it reaches a full 26 weeks from 1 July 2026.

Both parents will be able to share the leave entitlement, with a proportion maintained on a “use it or lose it” basis, to encourage and facilitate both parents to access the scheme and to share the caring responsibilities more equally. Sole parents will be able to access the full 26 weeks.

This measure extends the 2022–23 March Budget measure titled *Women’s Economic Security Package*.

Plan for Cheaper Child Care

The Government will provide \$4.7 billion over 4 years from 2022–23 (and \$1.7 billion per year ongoing) to deliver cheaper child care, easing the cost of living for families and reducing barriers to greater workforce participation. This includes \$4.6 billion over 4 years from 2022–23 to:

- increase the maximum Child Care Subsidy (CCS) rate from 85 per cent to 90 per cent for families for the first child in care and increase the CCS rate for all families earning less than \$530,000 in household income
- maintain current higher CCS rates for families with multiple children aged 5 or under in child care, with higher CCS rates to cease 26 weeks after the older child’s last session of care, or when the child turns 6 years old
- task the Australian Competition and Consumer Commission to undertake a 12 month inquiry into the cost of child care and the Productivity Commission to conduct a comprehensive review of the child care sector
- improve the transparency of the child care sector by requiring large providers to publicly report CCS-related revenue and profits.

The Government will also provide \$43.9 million over 4 years from 2022–23 for measures that support the National Agreement on Closing the Gap targets and improve early childhood outcomes for First Nations children. Funding includes:

- introducing a base entitlement to 36 hours per fortnight of subsidised early childhood education and care for families with First Nations children, regardless of activity hours or income level
- establishment of the Early Childhood Care and Development Policy Partnership with Coalition of Peaks partners and First Nations representatives to develop policies on First Nations early childhood education and care.

Powering Australia – Electric Car Discount

The Government will cut taxes on electric cars so that more Australians can afford them.

From 1 July 2022, the measure will exempt battery, hydrogen fuel cell and plug-in hybrid electric cars from fringe benefits tax and import tariffs if they have a first retail price below the luxury car tax threshold for fuel-efficient cars. The car must not have been held or used before 1 July 2022.

Employers will need to include exempt electric car fringe benefits in an employee's reportable fringe benefits amount.

Fee-free TAFE and TAFE Technology Fund

The Government will provide \$921.7 million over 5 years from 2022–23 to strengthen Australia's Vocational Education and Training system and address skills shortages. Funding includes:

- \$871.7 million over 5 years from 2022–23 to provide 480,000 fee-free Technical and Further Education (TAFE) and vocational education places in industries and regions with skills shortages
- \$50.0 million over two years from 2022–23 to establish a TAFE Technology Fund to modernise IT infrastructure, workshops, laboratories, telehealth simulators, and other facilities at TAFEs across Australia.

Around 180,000 fee-free TAFE and vocational education places will be delivered in 2023 in areas of highest skills need as part of a one-year National Skills Agreement with the states and territories commencing 1 January 2023, which was an outcome of the Jobs and Skills Summit.

Further information?

Copies of Mr. Chalmers' speech together with supporting Budget papers can be found online at www.budget.gov.au

Source:

- Budget October 2022-23: Budget Strategy and Outlook, Budget Paper No 1
- Budget October 2022-23: Budget Measures, Budget Paper No 2
- Budget October 2022-23: Building a better future

This document was prepared by:

Kate Deering
Senior Product Manager – Savings & Investments
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