

CWM's 2023-24 Federal Budget Summary

..... and what it means for you.



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Overview

The [2023 Federal Budget](#), brought down on 9 May 2023, is the first full Budget for the Albanese Labor government.

This Budget Summary is not designed to cover all aspects of the Federal Budget. It is solely focused on the key financial planning areas which relate to our clients – superannuation, taxation and social security.

Key proposals of relevance include:

- Increasing taxation on super balances over \$3 million
- Small business instant asset write-off
- Increased welfare benefits

It is important to note that at this time these proposed measures are not yet law and could change through implementation.

One item of interest in the '[Budget Strategy and Outlook](#)' is the prediction that "Inflation has peaked" and "is expected to fall to 3¼ per cent in 2023–24". I think in a year's time we will see this as being overly optimistic from the government and bureaucrats in Treasury. This Budget is inflationary.

Contents

Superannuation & Pensions	4
No further extension of the temporary reduction in minimum pension payments	4
Increased tax for super balances over \$3 million.	4
Increase in APRA superannuation levy	5
Payday super	5
Taxation.....	5
Stage 3 income tax changes to still proceed	5
Small Business	6
Small business instant asset write-off	6
Small and medium business energy incentive.....	6
Electricity bill relief	7
Social Security	7
Electricity Bill Relief	7
Medicare Bulk Billing incentives	7
Increasing Rent Assistance payment rate	7
Increasing working age and student payment rates	7

Superannuation & Pensions

No further extension of the temporary reduction in minimum pension payments

The Government has not extended the 'temporary' 50 per cent reduction in the minimum drawdown requirements for account-based pensions. These rates determine the minimum amount of a pension that a retiree has to draw from their superannuation pensions.

Age	Minimum payments – account based pension	
	2019/20 to 2022/23	From 1 July 2023
Less than 65	2.0%	4.0%
65-74	2.5%	5.0%
75-79	3.0%	6.0%
80-84	3.5%	7.0%
85-89	4.5%	9.0%
90-94	5.5%	11.0%
95+	7.0%	14.0%

COMMENT: Whilst expected, this is still disappointing for many retirees who do not need to drawdown such a high percentage from their superannuation pension.

Increased tax for super balances over \$3 million.

From 1 July 2025, earnings on an individual's Total Super Balance (TSB) over \$3 million will incur an additional 15% tax.

The calculation of the earnings is as follows:

Earnings = (TSB on 30 June of current financial year + withdrawals – net contributions) – TSB on 30 June of the previous financial year)

Only the earnings attributed to the portion over \$3 million will incur the additional tax.

COMMENT: The government has deliberately not indexed the \$3 million. This means that a significant percentage of today's 20 and 30 year olds will incur this additional tax – at 4% inflation, \$3 million in 30 years' time has a value today of \$926,956.

Ultimately everyone will have their superannuation taxed an additional 15%.

Increase in APRA superannuation levy

From 1 July 2023, APRA regulated super funds (the vast majority of super funds) will be charged more for the supervisory levy imposed in order to fund APRA.

COMMENT

It is disconcerting when the government funds their bureaucracies this way. Raiding super fund balances to fund government bureaucracies, which just have a habit of growing bigger and bigger, won't end well for Australians.

Payday super

From 1 July 2026, employers will be required to pay their employees' super at the same time that salary and wages are paid.

COMMENT

A substantial improvement to the current legislation which allows super to be paid only quarterly, however hopefully this will not be a significant imposition on small business.

Taxation

Stage 3 income tax changes to still proceed

There were no announcements to change the legislated stage 3 personal income tax cuts. This means that from 1 July 2024, the personal income tax rates will be:

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

The reduction in income tax is illustrated below:

Income	2022/23 income tax	2024/25 income tax	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

Small Business

Small business instant asset write-off

From 1 July 2023 to 30 June 2024, the instant asset write-off increases to \$20,000. Businesses with annual turnover below \$10 million can immediately deduct the cost of eligible assets, which cost less than \$20,000, and are first used/installed between these dates.

The threshold applies on a per asset basis, so eligible businesses can claim a full tax deduction for multiple assets.

Assets over \$20,000 can continue to be depreciated at 15% in the first year and 30% in subsequent years.

Small and medium business energy incentive

From 1 July to 30 June 2024, businesses with an annual turnover of less than \$50 million will get an additional 20% tax deduction on spending that supports electrification and more efficient use of energy.

Up to \$100,000 of this expenditure will be eligible for the additional 20% tax deduction, providing a benefit up to \$20,000.

Eligible businesses could convert to electric heating and cooling systems, upgrade to more efficient fridges and induction cooktops, and install batteries and heat pumps.

Electricity bill relief

Eligible small businesses will receive a \$325 Commonwealth rebate to reduce the cost of their electricity bills. The government is negotiating with the States and Territories to match this contribution, taking total relief to \$650.

Social Security

Electricity Bill Relief

From 1 July 2023 to 30 June 2024, electricity bill relief of up to \$500 will be provided to people who hold or receive:

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

Medicare Bulk Billing incentives

The Government has proposed to triple the incentive provided to general practitioners to bulk bill patients holding a Commonwealth concession card (such as the Commonwealth Seniors Health Card) and patients under the age of 16.

Increasing Rent Assistance payment rate

From 20 September 2023, the maximum rate of Rent Assistance will increase by 15%.

Increasing working age and student payment rates

From 20 September 2023, the following payments will be increased \$40 per fortnight:

- JobSeeker Payment
- Youth Allowance
- Parenting Payment (Partnered)
- Austudy and ABSTUDY
- Disability Support Pension (Youth)
- Special Benefit
- Farm Household Allowance



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Investment Performance:

Past performance is not a reliable guide to future returns as future returns may differ from and be more or less volatile than past returns.