

Budget summary for investors

Federal Budget 2023-24



Overview

On 9 May 2023, the Labor Government handed down the 2023-24 Federal Budget. This was largely a no surprises Budget, with most announcements having been released in the weeks leading up to Budget night.

With the economic outlook still looking tough, with low levels of Gross Domestic Product into the next 12 months and inflation still high, albeit slowly coming under control, the Government has had to be careful to address current concerns whilst not creating problems for future years.

There is no doubt that the 2023-24 Federal Budget has had a focus on the cost-of-living issues facing many Australians. Whilst not everyone benefits, there has been some relief provided through rebates on energy bills for many, increases in the payment rate of social security benefits for some recipients, and a substantial investment to increase the rate of bulk billing for doctor's visits, which should result in reduced out of pocket expenses for many Australians visiting a doctor.

From a wealth perspective, the 2023-24 Budget announcements were limited, and again, had mostly been communicated prior to the formal Budget speech. However, it is those items not mentioned that are perhaps of more importance for many clients. The major measures from the 2023-24 Federal Budget can be summarised as follows:

Taxation

- There was no announcement of any changes to the personal income tax changes that have been legislated and are due to take effect from 1 July 2024. This means that taxpayers with more than \$45,000 of taxable income will have a reduced tax liability from 1 July 2024.
- There was no announcement of an additional extension of the low and middle income tax offset that ceased from 30 June 2022. This lack of extension was expected, with the benefit of that tax offset being felt for the last time as tax returns for that year are lodged, as it was only at that time any benefit was realised.
- For those looking to salary package a motor vehicle as part of their employment, in the October 2022 Federal Budget it was announced that there would be an exemption from fringe benefits tax for certain electric vehicles packaged on or after 1 July 2022. The Government has decided that this exemption will only be available for such vehicles that are packaged before 1 April 2025.

Superannuation

- Consistent with a pre-Budget announcement, the Government will look to reduce the superannuation tax concessions for those with more than \$3 million accumulated in the superannuation system. Commencing from 1 July 2025, earnings (including unrealised capital gains) on balances above \$3 million will attract an additional 15% tax, raising the maximum tax rate in super for those affected to 30%.
- The Government has also committed to ensuring that superannuation guarantee entitlements are to be paid for employees on the same regular cycle as their salary and wages. This means you will have amounts paid into your super fund earlier, allowing more time for growth, although the change is not due to take effect until 1 July 2026.
- The Government has decided not to interfere with the legislated processes for determining how much can be contributed to super as an after-tax contribution, and how much could potentially be transferred into a superannuation income stream upon retirement. Under existing processes, the general threshold applying to these opportunities will index from its existing \$1.7 million threshold to a new higher threshold of \$1.9 million from 1 July 2023.

- For those in receipt of a superannuation income stream, the minimum payment required under legislation has been halved for the last few years, meaning less has to be drawn from super. At this stage the Government has not announced any further extension of these reduced payment rates, although it is still possible an announcement could be made before the end of the financial year.

Social security and welfare

- Recipients of certain 'working age' social security payments will receive an increase of \$40 per fortnight from 20 September 2023. This will include recipients of JobSeeker and Youth Allowance, amongst other payment recipients. In addition, aged care workers will receive a wage increase from 1 July 2023.
- Holders of Pensioner Concession Cards, Commonwealth Seniors Health Card holders and recipients of Family Tax Benefit payments will be eligible to receive a temporary rebate of their energy bill from 1 July 2023 of up to \$500 to assist in easing the cost of living.
- Single parents in receipt of a parenting payment may now be eligible to receive this payment up until their youngest child turns 14. Currently the payment ceases when that child turns 8.

It is always important to remember that at this point, most Budget night announcements are only statements of intended change and are not yet law. There may be others that impact on your personal situation, as well as other opportunities available from changes made in prior years. A financial adviser can help outline what these measures may mean for you, and the opportunities available now, or in the future.

For more information

Contact your financial adviser



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