



# 2022 FEDERAL BUDGET SUMMARY

## INTRODUCTION

The 2022 Budget, brought down on 29 March - 6 weeks earlier than normal, is the last Budget before the next Federal Election is due to be held. The latest date for the election is 21 May 2022.

Compared to past years, this year's Budget is a little bland however, it does include some 'sweeteners' to keep the electorate favourably disposed toward the incumbent Government, come election day.

It goes without saying the measures announced in the Budget are not a *fait accompli*. In many cases, legislation will need to be passed, and that will not occur until after the election. And this also assumes that the current Government will be returned to form the 47<sup>th</sup> Australian Parliament.

## HEADLINES

SUPERANNUATION	TAXATION	SOCIAL SECURITY	FUEL EXCISE
Fifty per cent reduction of minimum pension payments extended to 1 July 2023	\$420 added to low- and middle-income tax offset for 2021/22	\$250 one-off payment for pensioners, allowees and concession cardholders	Immediate 50 per cent reduction in excise until 28 September 2022

## THE STATE OF THE ECONOMY

Given the circumstances that Australia has endured over the past couple of years, with COVID-19, extended lockdowns in many parts of the country, and natural disasters ranging from devastating droughts, bush fires and floods, the economy has been very resilient.

By way of a quick snapshot, the economic outlook, as presented in the Budget, is as follows:

1. Real GDP Growth is expected to be 4¼ per cent in 2021-22, 3½ per cent in 2022-23, and 2½ per cent in 2023-24
2. The unemployment rate is expected to drop to 3¾ per cent by September 2022. This will be the lowest unemployment rate in close to 50 years.

3. Wages growth, while stagnant in recent years, is expected to accelerate from 2¾ per cent in 2021-22 to 3¼ per cent in 2022-23.
4. A concern over recent months has been Australia's inflation rate. Headline inflation in 2021-22 is expected to be 4¼ per cent before moderating to 3 per cent in 2022-23 and 2¾ per cent in 2023-24.
5. The deficit for 2022-23 is projected to be \$78bn. This represents a significant improvement from what was forecasted last year.

## AGED CARE

In addition to the \$18.3 billion already committed to the aged care sector in last year's budget, the Government has announced a further \$468.3 million over the next five years to help implement their response to the Royal Commission into Aged Care Quality and Safety.

The additional funds are earmarked to support both the aged care sector through workforce training and governance and the 1.3 million senior Australians using care services at home and in residential facilities. Additionally, \$458.1 million will be provided over five years to support Australians in the aged care sector with managing the impacts of COVID-19 including bonuses to aged care workers in residential and home care and improving the capability and capacity of the residential aged care workforce to deliver vaccines.

## BUSINESS

### Skilling Australia

With a record number of Australians now in trade apprenticeships, the Budget will take it a step further by providing \$5,000 payments to new apprentices, together with up to \$15,000 in wage subsidies for employers taking on those apprentices.

### Small business

Small businesses are the backbone of the economy, employing eight million Australians.

For those small businesses that invest in the training of their employees, a tax deduction of 120% will be available.

### Infrastructure

The Budget provides an additional \$17.9bn for road, rail, and community infrastructure projects across Australia. Much of this will flow through to businesses providing services, and to those seeking work in the sector.

## HOMEOWNERSHIP

### New Home Guarantee

The Home Guarantee Scheme is to be expanded from 1 July 2022 by providing 35,000 guarantees each year. The Guarantee assists eligible first home buyers to purchase a new or existing home with a deposit as low as five per cent.

In addition, 10,000 guarantees will be provided each year from 1 October 2022 to 30 June 2025 under a new Regional Home Guarantee, supporting eligible home buyers to purchase or construct a new home in regional Australia. This will extend to non-first home buyers.

The Budget also expands the Family Home Guarantee announced in last year's Budget by providing a further 5,000 guarantees each year from 1 July 2022 to 30 June 2025 to assist single people with children to purchase their first home or re-enter the housing market, with a deposit of as little as two per cent.

Under the Home Guarantee Scheme, an eligible person's home loan is guaranteed by the Government thereby allowing people to purchase a home on a lower deposit than might otherwise be required and avoiding the need to obtain lenders' mortgage insurance.

## SOCIAL SECURITY

### One-off \$250 cash boost

To help support pensioners, allowees, and eligible concession cardholders with the increasing costs of living, the Government will provide a \$250 cash payment in April this year.

The payment will be available to recipients of the following benefits:

- Age Pension
- Disability Support Pension
- Parenting Payment
- Carer Payment
- Carer Allowance (if not in receipt of a primary income support payment)
- Jobseeker Payment
- Youth Allowance
- Austudy and Abstudy Living Allowance
- Double Orphan Pension
- Special Benefit
- Farm Household Allowance
- Pensioner Concession Card (PCC) holders
- Commonwealth Seniors Health Cardholders
- Eligible Veterans' Affairs payment recipients and Veteran Gold cardholders.

This one-off payment will be received tax-free and will not count as assessable income when calculating income support entitlements.

Only one payment can be received per person, even if they are eligible under multiple categories outlined above.

### **Paid parental leave expanded**

Under current rules, paid parental leave provides parents with up to 18 weeks of paid leave. An additional two weeks' leave may also be available to partners eligible for Dad and Partner Pay, however, the maximum available to single parents is 18 weeks.

To improve the economic security of parents, the Government has announced that a single scheme will be created by rolling Dad and Partner Pay into Parental Leave Pay. This scheme will provide up to 20 weeks of paid leave that is fully flexible and shareable for eligible working parents.

Eligible parents can take the paid leave any time within two years of the birth or adoption of their child. The income test will also be broadened to have an additional household income eligibility test.

### **SUPERANNUATION**

This year's Budget was light on superannuation announcements. The only announcement of note is the extension of the temporary reduction in minimum income payments.

The temporary 50% reduction in minimum pension payments that has been a feature of the superannuation landscape for the past few years has been extended to 30 June 2023. The discount applies to account-based pensions and market-linked income streams. The minimum prescribed income drawdown for account-based pensions for 2022-23 is as follows:

<b>AGE</b>	<b>MINIMUM DRAWDOWN RATE FOR 2022/2023 (%)</b>
Under 65	2
65-74	2.5
75-79	3
80-84	3.5
85-89	4.5
90-94	5.5
95 or over	7

## TAXATION

### Low and middle-income tax offset

Introduced back on 1 July 2018, the low and middle-income tax offset is a temporary measure that provides a tax offset of between \$255 and \$1,080 for taxpayers with taxable income of up to \$126,000.

The low and middle-income tax offset will finish on 30 June 2022 however the Budget allows for an increase of up to a further \$420, making the total offset \$1,500, for the 2021-22 financial year.

This will be available once taxpayers lodge their 2021-22 income tax returns.

### Costs of COVID-19 Tests

The cost of COVID-19 tests will be tax-deductible to taxpayers where the tests are required to attend a place of employment.

Where employers provide COVID-19 testing for their employees, the cost of the tests will be exempt from fringe benefits tax.

### Medicare levy low-income threshold

The Medicare low-income threshold for singles, families, seniors and pensioners will increase from 1 July 2021.

For example, the family threshold for seniors and pensioners will increase to \$51,401 (up from \$51,094).

### Fuel Excise

In recent months, Australians have experienced significant increases in the cost of fuel with prices exceeding \$2 per litre being commonplace.

The Government has responded by announcing a temporary reduction in the fuel excise rate. The rate will reduce from the current 44.2 cents per litre to 22.1 cents per litre. The reduction will apply from 30 March 2022 and will continue until 28 September 2022.

Provided the full discount is passed on to motorists at the pump, this will reduce the cost of a 60-litre tank of fuel by just over \$13.

## WOMEN

The Budget included a specific focus on measures specifically targeting women. These include:

## Women's safety

Building on the \$1.1bn announced in last year's Budget, the Government has committed a further \$1.3bn to drive change under the next *National Plan to End Violence against Women and Children 2022-32*. The focus is on prevention, early intervention, response, and recovery.

## Economic security

While women's workforce participation is now at its highest level, with more women assuming highly skilled and leadership roles, barriers still exist. The gender pay gap continues to fall but it still has a way to go.

The Budget allocates \$482 million to women's economic security measures such as assisting women to transition into the booming tech industry and manufacturing jobs as well as developing entrepreneurial skills.

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