

With a Federal Election looming, the Government has unveiled a budget to assist millions of Australians facing rising cost of living pressures. The measures announced include a cut to fuel excise, cash payments for pensioners and more generous tax concessions for low-and middle-income earners. Tied in with these temporary measures, the Government is also expecting to see a moderation in inflation as international factors and supply chains evolve.

Financial Year	Budget Aggregates		
	Economic Growth	Net Debt	Consumer Price Index
2021-22	4.25%	\$631.5B	4.25%
2022-23	3.50%	\$714.9B	3.00%
2023-24	2.50%	\$772.1B	2.75%
2024-25	2.50%	\$823.3B	2.75%

Australia has achieved some of the world's best health and economic outcomes following the COVID-19 shock. The extraordinary stimulus paid dividends with the national unemployment rate now down to approximately 4 per cent. The strength of the labour market, commodity prices and the broader economy has driven up tax receipts and lowered unemployment benefit payments. The Government aims to continue to grow the economy, however a reduction in net debt estimates will take several years based on the forward projections. Not only will the amount of debt be worth watching, but also the price of this debt.

Some of the announcements are summarised below. Feel free to contact us should any queries arise.

Superannuation - Pension Withdrawals

Pleasingly, the superannuation sector was largely untouched in this budget. This said, a number of amendments previously announced in the 2021 budget are scheduled to commence on 1 July 2022 (e.g. changes to the work test). The 50% reduction to the minimum pension requirements were extended until 30 June 2023.

The 50% relief is a temporary COVID-19 related reduction which was due to finish at the end of the current 2021-22 financial year. The budget has detailed the extension of the reduced minimum drawdown rates for the upcoming 2022-2023 financial year. This means individuals with account-based pensions and similar products will be required to draw less from their superannuation savings, if they elect to do so. A 70-year-old, for example, is required to withdraw a pension of 2.5% (not the usual 5%) throughout the financial year - with this amount calculated based on pension balance at the previous 30 June.

Taxation

The historically low unemployment rates we are experiencing is predicted to see wages growth pick up. In the interim, millions of Australians earning up to \$126,000 will benefit from a 'one-off' tax saving of \$420.

The budget expands on the existing Low and Middle Income Tax Offset (LMITO) by increasing the available offset - the maximum offset rises from \$1,080 to \$1,500. Importantly however, the LMITO will cease at the end of the 2021-22 financial year. The table below indicates how the increased offset will operate when taxpayers lodge their tax returns from 1 July 2022.

Taxable Income	One-off 'Cost of Living Tax Offset'	
	Existing Offset (2021/22)	Proposed Offset (2021/22)
Up to \$37,000	\$255	\$675
\$37,000 to \$48,000	\$255 to \$1,080	\$675 to \$1,500
\$48,000 to \$90,000	\$1,080	\$1,500
\$90,000 to \$126,000	\$0 - \$1,080	\$420 - \$1,500

It is worth noting that the Government's stage three tax cuts, benefiting those on higher incomes, remains slated to begin during 2024-25.



Cost of Living Measures

The fuel excise is a flat sales tax levied by the Australian Government on all fuel purchased at the service station. The Government have pledged to temporarily halve the existing rate. The existing fuel excise is 44.2 cents per litre, which will see this drop to 22.1 cents per litre for 6 months (ending on 28 September 2022).

There is scheduled to be a tax-free \$250 'cost of living' payment, to be made in April 2022 to certain pensioners and concession card holders. Eligible recipients include the millions of Australians who are on the following payments and concession cards:

- Age Pension
- Disability Support Pension
- Parenting Payment
- Carer Payment
- Carer Allowance
- Jobseeker Payment
- Youth Allowance
- Austudy and Abstudy Living Allowance
- Double Orphan Pension
- Special Benefit
- Farm Household Allowance
- Pensioner Concession Card holders
- Commonwealth Seniors Health Card Holders
- Veteran Affairs payment recipients and Veteran Gold Card holders.

Individuals only get the \$250 payment once, even if you're eligible for one of the payments above and are a concession card holder.



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