



Budget October 2022



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Personal taxation

No changes to personal income tax: The Budget did not contain any measures announcing changes to personal income tax. This includes:
no extension of the Low and Middle Income Tax Offset, which ended 30 June 2022.
Stage 3 tax cuts to proceed

Despite the ongoing debate about deferring or cancelling the stage 3 tax cuts, the measure will go ahead in accordance with the legislated timetable from 1 July 2024. The stage 3 tax cuts that were introduced as part of the previous

Government's personal income tax reform, will remove the 37% income band and increase the higher threshold in the 45% income band from \$180,000 to \$200,000. The applicable rate on the 32.5% income band will also reduce to 30%.

Resident tax rates and threshold

Current		From 1 July 2024	
Taxable income	Tax payable	Taxable income	Tax payable
\$0 - \$18,200	Nil	\$0 - \$18,200	Nil
\$18,201 - \$45,000	19%	\$18,201 - \$45,000	19%
\$45,001 - \$120,000	\$5,092 + 32.5%	\$45,001 - \$200,000	\$5,092 + 30%
\$120,001 - \$180,000	\$29,467 + 37%	Income band removed	
\$180,001+	\$51,667 + 45%	\$200,001+	\$51,592 + 45%

- **Helping enable electric car purchases:** For purchases of battery, hydrogen, or plug-in hybrid cars with a retail price below \$84,619 (the luxury car tax threshold for fuel efficient vehicles) after 1 July 2022, fringe benefits tax and import tariffs will not apply. Note: Employers will still need to account for the cost in an employee's reportable fringe benefits.

Home ownership

- **Housing affordability measures:** A key focus of the Budget were measures to help individuals secure housing. This is expected to occur largely via the Housing Accord which will bring Federal, State and Local Governments together to work on housing affordability and homelessness. Measures announced include:
 - A commitment to the 'Help to Buy' scheme which will support first home buyers to buy a home with the Federal Government being a part owner, resulting in a lower balance to be funded by the individual themselves.
- A Regional First Home Buyer Guarantee from 1 October 2022 which, similar to the existing First Home Deposit Guarantee scheme, is expected to provide up to 10,000 first home buyers with a guarantee over their mortgage, removing the need for lenders mortgage insurance.

Superannuation

- **Expanding eligibility to downsizer measures:** Legislation has been introduced to reduce the downsizer eligibility age from 60 to 55. This measure will take effect from the first quarter after passing into law, which is expected to be 1 January 2023.
- **SMSF and tax residency:** The Government confirmed its intention to continue with the 2021/22 Budget measure of extending the temporary trustee absence period from two years to five years and removing the 'active member' test. These changes will help SMSFs continue to maintain their Australian tax residency even while members are overseas, and allow them to continue to contribute to their funds even if they become non-tax residents.
- **Three-year audit cycle for SMSFs not proceeding:** Originally announced as part of the 2018/19 Budget, it was confirmed the current Government will not proceed with this measure.
- **Delay to the commencement date for SMSF residency changes** In the 2021-22 Federal Budget the previous Government had proposed to allow the relaxation of residency requirements for SMSFs and Small APRA Funds (SAFs) by extending the central management and control test safe harbour rule from two to five years for SMSFs, and removing the active member test for both SMSFs and SAFs. It was expected for this measure to take effect from 1 July 2022. The Government has reaffirmed its support for this measure with the effective date to be delayed to the income year commencing on or after the date of Royal Assent of the enabling legislation.

No update on two-year amnesty relating to commutation of certain legacy pensions

In the 2021-22 Federal Budget the previous Government had proposed a two-year amnesty allowing retirees in receipt of legacy retirement products such as market-linked, life-expectancy and lifetime pensions to have the option to exit these products over a two-year period commencing from the beginning of the first financial year after Royal Assent.

There have been no further updates on this announcement.

Superannuation Guarantee legislated increases to continue in accordance with original timetable

Currently, Superannuation Guarantee (SG) is 10.5%. It is legislated to increase by 0.5% at the start of each financial year from here on in until it reaches 12% on 1 July 2025. There is no change to the legislated increase of SG.

Period	General SG
1 July 2022 – 30 June 2023	10.5%
1 July 2023 – 30 June 2024	11.0%
1 July 2024 – 30 June 2025	11.5%
1 July 2025 onwards	12.0%

No extension to the halving of SIS minimums beyond the 2022-23 financial year

There was no announcement in relation to extending the halving of the SIS minimums beyond the 2022-23 financial year in relation to eligible income streams such as account-based pensions and market linked pensions.

Social Security

- **Child care subsidy changes:** As part of a package of reforms to encourage parents to return to the workforce, the maximum child care subsidy from 1 July 2023 will increase to 90% for families earning less than \$80,000. For every \$5,000 earned over this threshold the subsidy will reduce by 1% - reducing to zero for incomes \$530,000 or above. The higher rate of subsidy for families with multiple children in care will continue under its current arrangements, ceasing once the eldest child reaches six years old or has been out of care for 26 weeks.
- **Paid parental leave increases:** Announced before the Budget, from 1 July 2024 the Paid Parental Leave Scheme will increase the maximum period of leave by two weeks each year – reaching a maximum of 26 weeks by 1 July 2026.
- Further, from 1 July 2023 both parents will be able to access leave at the same time or enter into more flexible arrangements than currently available under the limited Dad and Partner Pay limits, and requirements to take 12 weeks as a continuous period. The paid parental leave income test will also be extended to include a \$350,000 family income test, which can be used to help families who do not meet the individual income test.
- **Reducing assessment of former home proceeds:** For individuals on social security benefits, the temporary assets test exemption of home sale proceeds is to be extended from 12 months to 24 months. Additionally, these proceeds will only be deemed to earn a return at the lower deeming rate (currently 0.25% per annum) for this period. Note: This exemption only applies to the portion of the proceeds expected to be used in a new home purchase.
- **Work Bonus deposit for older Australians:** Announced as an outcome from the Jobs and Skills Summit, age pensioners and veterans over service pension age are expected to receive a one-off credit of \$4,000 into their Work Bonus income bank. The Work Bonus typically offsets
- \$300 per fortnight of income earned from employment or self-employment activities, allowing pensioners to receive a higher age pension whilst still working.
- **Increased income thresholds for Commonwealth Seniors Health Card:** The Government has committed to increasing the income thresholds for the Commonwealth Seniors Health Card to \$90,000 for singles and \$144,000 combined for couples.
- **Deeming rate freeze:** The Government has also confirmed its intention to retain the current deeming rates until at least 30 June 2024.
- **Plan for cheaper medicines:** From 1 January 2023, the general patient co-payment for Pharmaceutical Benefits Scheme treatments is expected to reduce from \$42.50 to \$30.

Aged care

Fixing the aged care crisis

- The Government will provide additional funding over four years from 2022-23 to reform the aged care system:
- \$2.5 billion over four years from 2022-23 to improve the quality of care in residential aged care facilities
- requiring all facilities to have a registered nurse onsite 24 hours per day, seven days a week from 1 July 2023; and
- increasing care minutes to 215 minutes (including 44 nursing minutes) per resident per day from 1 October 2024.
- \$23.2 million over four years from 2022–23 to improve aged care infrastructure and services that provide additional support to older First Nations peoples, and older Australians from diverse communities and regional areas.
- \$9.9 million over two years from 2022–23 to establish the Aged Care Complaints Commissioner within the Aged Care Quality and Safety Commission from December 2022.
- \$8.2 million over four years from 2022–23 to increase financial transparency
- through the introduction of new financial reporting requirements for residential aged care providers.
- \$5.0 million over three years from 2022–23 to the Maggie Beer Foundation to support the sector in providing better food for residential aged care and home care recipients.
- \$3.6 million in 2022–23 to establish 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.
- Introduce price caps for administration and management fees and remove exit fees charged by providers in the Home Care Packages Program.

The *Aged Care Amendment (Implementing Care Reform) Bill 2022* which requires residential aged care facilities to have a registered nurse onsite 24 hours per day, seven days a week and introduces the price caps for administration and management fees and removes exit fees for home care providers was introduced into Parliament on 27 July 2022 and is currently before the Senate.

Implementing aged care reform

The Government will provide additional funding of \$540.3 million over four years from 2022-23 to improve the delivery of aged care services:

\$312.6 million over four years from 2022–23 for essential aged care information and communication technologies system maintenance and enhancements, including streamlined reporting, and to enable aged care sector reform.

- \$68.5 million over four years from 2022–23 to extend and expand the Regional Stewardship of the Aged Care outreach model to strengthen governance and to support the implementation of aged care reforms in regional areas.
- \$53.5 million for 12 months from 1 January 2023 to extend the Disability Support for Older Australians Program to 31 December 2023.
- \$43.8 million over three years from 2022–23 to expand 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.
- \$38.7 million over four years from 2022–23 to establish the Inspector-General of Aged Care and the Office of the Inspector-General of Aged Care as a Statutory Agency to target systemic issues, provide independent oversight of the aged care system and make recommendations directly to the Government.
- \$23.1 million in 2022–23 to support the implementation of the Support at Home Program from 1 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 Program 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.