

# 2022-23 FEDERAL BUDGET BRIEF

## Headline budget figures

The Budget is forecast to be in deficit during the current financial year and in the forecast period, but the deficits are substantially smaller than previously forecast. The improvement since the mid-year budget update (MYEFO) is \$103 billion for the 5 year period to 2025-26.

| Year                           | 2020-21<br>(actual) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--------------------------------|---------------------|---------|---------|---------|---------|---------|
| Underlying cash balance (\$bn) | -134.2              | -79.8   | -78.0   | -56.5   | -47.1   | -43.1   |
| % of GDP                       | -6.5                | -3.5    | -3.4    | -2.4    | -1.9    | -1.6    |

Other budget figures are below:

| Year                | 2020-21<br>(actual) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---------------------|---------------------|---------|---------|---------|---------|---------|
| Revenue             | 519.9               | 556.6   | 547.6   | 585.2   | 615.2   | 643.9   |
| % of GDP            | 25.1                | 24.3    | 23.8    | 24.7    | 24.7    | 24.6    |
| Net debt (% of GDP) | 28.6                | 27.6    | 31.1    | 32.6    | 33.1    | 33.1    |

## Headline economic figures & forecasts

In general, there have been improvements in headline economic compared to the mid-year budget update (MYEFO).

| Year             | Real GDP<br>% growth | Employment<br>% growth | Unemployment<br>% | CPI inflation<br>% growth |
|------------------|----------------------|------------------------|-------------------|---------------------------|
| 2020-21 (actual) | 1.5                  | 6.5                    | 5.1               | 3.8                       |
| 2021-22          | 4.25                 | 2.75                   | 4                 | 4.25                      |
| 2022-23          | 3.5                  | 1.5                    | 3.75              | 3                         |
| 2023-24          | 2.5                  | 1.5                    | 3.75              | 2.75                      |
| 2024-25          | 2.5                  | 1                      | 3.75              | 2.75                      |
| 2025-26          | 2.5                  | 1                      | 4                 | 2.5                       |

## Superannuation

The Budget includes the following proposals:

- An extension of the temporary reduction in the minimum drawdown rates for pensions. The extension is for a further year to 30 June 2023.
- The maximum amount that can be withdrawn from superannuation under the First Home Super Saver Scheme will be increased from \$30,000 to \$50,000 from 1 July 2022 (Note this was announced in the previous Budget and is not a new measure).

The Budget states that, since MYEFO, superannuation fund tax receipts have been revised up by \$3.0 billion in 2022-23 and \$8.6 billion across the 4 years to 2025-26. Tax receipts

from superannuation funds are expected to grow strongly, by 89.6 per cent in 2021-22 but then decrease by 36.2 per cent in 2022-23. This reflects strong outcomes from prior income years, including substantial one-off strength in capital gains. Superannuation fund tax receipts are then supported by higher employment earnings leading to higher tax on contributions as well as a decline in forecast franking credits from dividends affecting 2022-23 and 2023-24.

## Cross portfolio

### *Tax deduction for training*

The Budget provides for a \$120 tax deduction for every \$100 a small business spends to train their employees at a cost of \$543m over the forward estimates.

### *Financial counselling*

The Budget includes \$10.5 million on a voluntary industry funded financial counselling scheme including \$1.5 million to establish a not-for-profit body to implement the scheme. The measure will also fund a range of initiatives to support the financial counselling sector, including improving data capture in the financial counselling sector to better understand drivers and demand for financial services.

### *Digital Economy Strategy*

The Budget includes \$130.1 million to progress the Government's Digital Economy Strategy'' This includes:

- \$38.4 million over the next three years, and \$12.6 million after 2025 to implement the Government's response to the Inquiry into the Future Directions for the Consumer Data Right
- \$1.8 million in 2022-23 to the Digital Transformation Agency to further support the development of the Digital Identity system, including the governance, regulatory frameworks and funding arrangements associated with the Digital Identity legislation.

## Taxation general

The Budget notes that tax receipts for the three months to February are \$12.6 billion above MYEFO forecasts, driven by a strong domestic economy, with the equal lowest unemployment rate since 1974 driving higher personal income tax, elevated near-term commodity prices increasing company tax receipts, and strong tax revenue from the 2020-21 income year across individuals, companies and superannuation funds.

The Budget includes:

- A \$6.6m provision to facilitate the sharing of Single Touch Payroll (STP) data between the Commonwealth and the States to allow prefilling of payroll tax data, expected to reduce compliance costs by up to \$800m for 170,000 businesses (this was previously announced).
- Allow companies to choose to have PAYG instalments calculated on current financial performance – this measure has a planned commencement of 1 January 2024. The

Government argues this measure will support business cash flow by ensuring instalments reflect current performance.

- Extra funding for the ATO of \$652m to extend the tax avoidance taskforce, expected to increase revenue by \$2.1 billion over the forward estimates period.
- Reducing the PAYG uplift factor from 10% to 2%, allowing businesses the ability to delay payment of tax of \$1.8bn.

## **Other announcements**

### *Aged Care*

The Budget announces an addition \$468m for aged care, including \$345m for improved medication management, \$22m for trials of new models of interdisciplinary care, \$20m to implement the Australian National Aged Care Classification, and various measures to support the aged care workforce.

### *Mental health*

The Budget includes an additional \$547m in funding for mental health services including:

- \$42m for national suicide prevention initiatives
- \$17.8m for mental health support for multicultural communities
- \$52m for Lifeline
- \$15m for case conferencing between healthcare providers
- \$206m to continue and expand mental health services for 2,800 young people experiencing severe and complex mental illnesses.

### *Broader economic policies*

- Fuel excise will be halved for petrol and diesel (from 44.2 cents per litre to 22.1) for six months at a cost of \$3 billion.
- A one-off \$420 cost of living tax offset for 10 million individuals – basically an expansion of the existing Low and Middle Income Tax Offset (LMITO), at a cost of \$4.1 billion.
- A one-off \$250 cost of living payment for 6 million individuals (pensioners, welfare recipients and concession card holders)

### *Paid Parental Leave*

- \$346.1 million over 5 years to enhance Paid Parental Leave (PPL) for families, including by rolling the current Dad and Partner Pay Scheme with up to 20 weeks of fully flexible leave will be able to be shared between eligible working parents; and broadening the income test to have an additional household income threshold of \$350,000 per year, if eligible. This will particularly benefit women who are the main breadwinner.