2023/24 Federal Budget Update for Members

The Budget includes cost of living measures including easing access to health professionals, subsidising energy bills, and expanding rent and income assistance. The Budget estimates have headline inflation reducing to 3.25 per cent by the middle of 2024.

An anticipated surplus of $4.2 billion in this financial year will be followed by projected Budget deficits in the following two years.

New measures to build cyber resilience in Australia's small business will be delivered by the Council of Small Business Organisations Australia to tackle cyber vulnerability.

$15 billion will be invested in a National Reconstruction Fund, aiming to re-establish Australia's manufacturing industry across renewable and low emissions technologies, medical science, transport and selected segments of agriculture, forestry, mining and defence.

Additional funding for the Commonwealth Public Service to increase headcount by more than 15 per cent (from pre pandemic numbers), with the Finance Department expanding to improve policy development, spending quality and agency oversight.

Tax concessions for newly constructed build-to-rent developments, and requirements for landlords to offer three-year minimum leases for these properties, are expected to add an additional 150,000 rental properties over the next 10 years.

Changes to visa processing and an increase in the Temporary Skilled Migration Income Threshold are expected to improve skilled labour shortages, and extending the right of international students staying post University completion will assist with labour shortages in other sections of the economy.

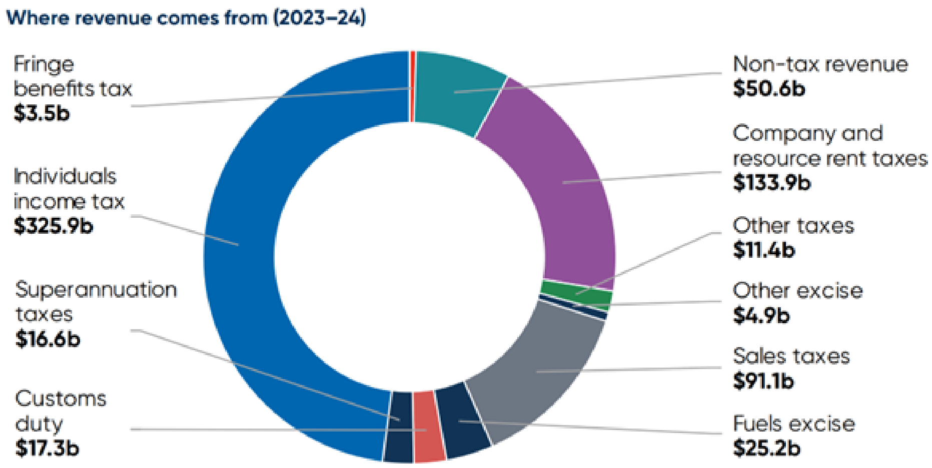
2023-24 Federal Budget papers can be found at www.budget.gov.au.

Overall economy

- Real GDP grew by 3.7% in 2021-22 and is forecast to grow by 3 ¼% in 2022-23 and 1 ½% in 2023-24
  - This compares with 2022-23 Budget figures, delivered in October 2022, of forecast 3 ¼% growth and 1 ½% growth respectively
- Underlying budget position is estimated to be a surplus $4.2 billion in 2022-23 (0.2% of GDP) and a deficit of $13.9 billion in 2023-24 (0.5% of GDP)
  - This compares with October 2022-23 Budget estimates of deficits of $36.9 billion and $44 billion respectively
- Gross debt estimated to be $887 billion (34.9% of GDP) in 2022-23 and $923 billion in 2023-24 (35.8% of GDP)
  - This compares with 2022-23 Budget estimates (delivered in October 2022) of $927 billion and $1,004 billion respectively
- Consumer price index (CPI) of 6.1% in 2021-2022, and forecast to be 6% in 2022-23 and 3 ¼% in 2023-24
  - This compares with October 2022-23 Budget forecasts of 5 ¾% and 3 ½ % respectively
- Wage price index of 2.6% in 2021-22, and forecast to be 3 ¾% in 2022-23 and 4% in 2023-24
  - This compares with October 2022-23 Budget forecasts of 3 ¾% and 3 ¾% respectively
- The unemployment rate was 3.8% in 2021-22 and is forecast to be 3 ½% in 2022-23 and 4 ¼% in 2023-24)
  - This compares with October 2022-23 Budget forecasts of 3 ¾% and 4 ½% respectively.

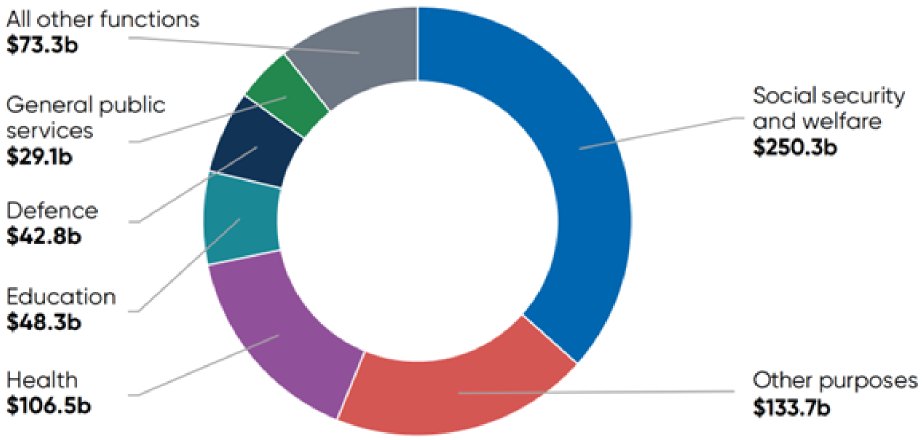
Total revenue for 2023-24 is expected to be $680.4 billion. Total expenses are expected to be $684.1 billion.

Where revenue comes from (2023-24)



Source: https://budget.gov.au/content/overview/download/budget_overview.pdf

Where taxpayers' money is spent (2023-24)



Source: https://budget.gov.au/content/overview/download/budget_overview.pdf

Main sources of new expenditure include:

- Cost of living relief covering:
  - Energy bill relief;
  - expanding eligibility for the Parenting Payment (for single parents);
  - a targeted increase to the JobSeeker base rate; and

- a targeted increase in Commonwealth Rent Assistance.

- $5.7 billion of investment into Medicare and higher bulk billing incentives;
- Additional investments into renewable energy ($6.5 billion).

Key areas of interest to actuaries

Wellbeing Budget / Measures to combat cost of living pressures

The Government has taken a targeted approach to welfare and cost of living pressures. This attempts to balance assistance against inflationary pressure and maintaining a budget surplus.

Welfare benefits

- With widespread calls for a higher JobSeeker benefit rate as well as the rate of Rent Assistance, the Government has responded in the following way:
  - Single parents may remain on the higher-paying Parenting Payment ($949.30 a fortnight) until their youngest child is 14. Previously eligibility reverted to the JobSeeker benefit ($745 a fortnight for singles with dependent children) once the youngest child was age 8.
  - All JobSeeker recipients will receive a $40 per fortnight increase ($693 to $733 per fortnight for a single without dependents). The increase will apply to a range of other benefits that sit at comparable rates.
  - JobSeeker recipients aged 55 to 59 who meet eligibility rules will receive an additional boost by moving to the higher rate currently paid to those over 60 ($52 a fortnight for singles without children).
  - The maximum rate of Rent Assistance will also be increased by $31 a fortnight, or 15%, reducing some of the growing gap between support levels and market rents.
- The ParentNext program is to be retired – this placed mutual obligations (such as education and community engagement requirements) on about 100,000 Parenting Payment recipients. Other employment services, such as Workforce Australia, remain in place for other groups of welfare recipients.

Income tax and other targeted assistance

There are several new targeted cost of living assistance measures, which include:

- A $500 energy bill rebate available to 5 million households (pensioners, Commonwealth Seniors Health Card holders and Family Tax Benefit A and B recipients).

- The $1.3 billion Household Energy Upgrades Fund. This will help 170,000 households save on energy bills by offering low-interest loans to finance energy-saving home upgrades. Additional money will support states and territories to make energy performance upgrades to social housing. Other measures include price caps on coal and wholesale gas contracts to ensure Australians can access energy at a fair price.
- A change to pharmacy dispensing rules for people with certain chronic conditions able to buy two months' supply with a single prescription.
- A significant increase to the Medicare bulk billing incentive for patients on low incomes and children.

Perhaps notable by its absence, the temporary $11 billion Low-and Middle-Income Tax Offset (including the related cost of living tax offset in 2022-23) has been allowed to expire. A temporary measure introduced in 2018-19, it had been extended multiple times up until this budget.

Broadening opportunity

A number of initiatives aimed to improve equity issues for disadvantaged groups, including:

- An additional $590 million investment in National Plan to End Violence Against Women and Children 2022-32
- A $100 million outcomes fund, over five years to support initiatives that deliver data-driven measurable improvements to both assist the disadvantaged and improve the evidence base. This complements the $10 million investment in an evaluation function within Treasury to improve the prominence and application of program evaluation across government.
- A range of measures, totalling $1.9 billion over 5 years, for Aboriginal and Torres Strait Islander people in areas of education, skills, health and housing.

Superannuation and Retirement income

Since the October Budget, superannuation fund tax receipts have been revised down by $3.9 billion in 2023–24 and $6.5 billion across the 5 years from 2022–23 to 2026–27.

This follows similar revisions downwards in the October Budget. The revisions reflect weaker fund earnings and higher-than-expected refunds. Weakness is expected to persist due to strength in the outlook for dividends and franking credits, which reduces tax receipts. This is partly offset by higher contributions due to the strong labour market.

Government superannuation liabilities for 2022-23 were $275.8 billion versus Future Fund assets of $203.6 billion. This was higher than the 2021-22 figure of $251.2 billion. The net coverage of liabilities by the Future Fund are challenged by recent low earnings on assets, along with higher rates of inflation.

In summary, it was another 'no-surprises' Budget for superannuation, with the highlights being the two previously announced superannuation measures – reduced concessions for those with more than $3 million in super and the increase in the payment frequency of the Superannuation Guarantee (SG).

Other (minor) changes included:

- a tax integrity measure, expected to see small businesses pay superannuation liabilities of $12 million to members;
- amendments to the Non-Arms' Length Income (NALI) provisions which will exempt large APRA funds and limit the impact on SMSFs and SAFs;
- continuation of superannuation consumer advocate funding.

Better targeted superannuation concessions

As announced prior to the Budget, the Government will reduce the tax concessions available to those with a total superannuation balance exceeding $3 million, from 1 July 2025.

This reform will bring the headline tax rate to 30 per cent, up from 15 per cent, for earnings corresponding to the proportion of an individual's total superannuation balance that is greater than $3 million.

The Budget Papers state interests in defined benefit schemes will be appropriately valued and will have earnings taxed under this measure in a similar way to other interests. The measure is expected to impact around 80,000 individuals in 2025–26. In 2027–28, the first full year of receipts collection, the measure is expected to increase receipts by $2.3 billion.

Securing Australians' superannuation package

As announced prior, from 1 July 2026, employers will be required to pay their employees' SG entitlements on the same day that they pay salary and wages. Currently, employers are only required to pay their employees' SG on a quarterly basis.

This measure will ensure that employees have greater visibility over whether their entitlements have been paid and better enable the ATO to recover unpaid superannuation. Around 8.9 million Australians will benefit from higher retirement savings from receiving their SG contributions earlier and more frequently throughout their working life. More frequent super payments will make employers' payroll management smoother with fewer liabilities building up on their books.

A 1 July 2026 commencement date will allow the ATO, payroll service providers and superannuation funds time to make necessary system changes and for employers to adjust their cash flow practices. Changes to the design of the SG charge will also be necessary to align with increased payment frequency.

The Government will consult with relevant stakeholders on the design of these changes, with the final design to be considered as part of the 2024–25 Budget.

The measure will bring forward tax receipts on superannuation but be offset by company tax deductions on SG payments. Over the medium term, the underlying cash balance will reduce by $256.6 million as there will be less SG charge debt raised due to increased compliance.

The Government will also provide $40.2 million to the ATO in 2023–24, which includes $27.0 million for the ATO to improve data matching capabilities to identify and act on cases of SG underpayment by employers and $13.2 million for consultation and co-design.

Tax integrity – improving engagement with taxpayers to ensure timely payment of tax and superannuation liabilities

The Government will provide funding over 4 years from 1 July 2023 to enable the ATO to engage more effectively with businesses to address the growth of tax and superannuation liabilities.

A lodgement penalty amnesty program is being provided for small businesses with aggregate turnover of less than $10 million to encourage them to re-engage with the tax system. The amnesty will cancel failure-to-lodge penalties for outstanding tax statements lodged in the period from 1 June 2023 to 31 December 2023 that were originally due during the period from 1 December 2019 to 29 February 2022.

This measure is expected to result in $12.3 million in unpaid superannuation to be disbursed to employees.

Amendments to measures by the previous Government

The Government will amend the non-arm's length income (NALI) provisions which apply to expenditure incurred by superannuation funds by limiting the income taxable as NALI to twice the level of general expense (for SMSFs and SAFs) and exempting large APRA regulated funds from NALI provisions for expenses. The Government will also exempt expenditure prior to the 2018-19 income year.

Treasury portfolio resourcing

The Government will provide $5 million over 5 years from 2023–24 to continue a superannuation consumer advocate, offset by an increase in the Superannuation Supervisory Levy administered by the Australian Prudential Regulation Authority.

Data and digital economy

Digital economy strategy

Australia's relatively low and falling global ranking in Digital Economy, together with high profile cyber incidents affecting millions of Australians over the past year, means more funding for cyber security and the digital economy has become a priority for the Government.

Scams and data breaches

To reduce the prevalence of scams, the Government is allocating $86.5 million to establish a National Anti-Scam Centre. This will boost the Australian Securities and Investments Commission's work to disrupt investment scam websites, and establish Australia's first SMS Sender ID Registry to prevent scammers imitating trusted brand names.

The Government is providing $44.3 million to the Office of the Australian Information Commissioner to take appropriate regulatory action, enhance its data and analytics capability, and support a standalone Privacy Commissioner.

Small business cyber security program

The Budget provides $23.4 million to support small businesses to build resilience to cyber threats. Small and medium businesses are the target of 60 per cent of cybercrime, which is now costing Australia more than $33.0 billion in reported losses per year.

Digital service delivery

The Government is investing more than $2 billion in new digital solutions for improved service delivery, modernising outdated legacy platforms and IT systems, and foundational work to ensure that critical future investment maximises value for the taxpayer.

Consumer Data Right

The Government continues its investment in the Consumer Data Right with $88.8 million over 2 years to support the CDR in banking, energy, and the non-bank lending sectors to deliver a cyber security uplift.

Expanding Digital ID

The Government is investing $26.9 million in 2023-24 to expand Digital ID – helping to increase efficiency and consumer protection, reduce fraud, and make it easier for people to access services online.

Growing critical technology industries

The Government has allocated $101.2 million over 5 years to support the development and uptake of technologies that are enabling capabilities across Australian industries. It will commence in quantum and artificial intelligence. It will also extend the National AI Centre and its role supporting responsible AI usage and will create an Australian Centre for Quantum Growth to connect and amplify Australia's quantum ecosystem. Given the rapidly increasing global spending on AI technology, this appears to be a modest investment.

My Health Record

Australia's digital health platform has not kept pace with changing health needs and models of care. To improve health outcomes, the Government is investing $429.0 million to support easier, more secure data sharing across all health care settings.

STEM

4,000 new university places for STEM related university courses.

Life Insurance

Life Insurance taxation

There was no specific mention of life insurance in the budget. In particular, the taxation of life insurance was not mentioned, which implicitly means that the taxation basis will align with AASB 17. That would be consistent with the proposed budget changes for the taxation of general insurance (refer below).

General Insurance

Tax law to be amended to align with audited financial reporting under new AASB17 accounting standard, which will minimise the regulatory burden facing the general insurance industry. The measure commences for income years on or after 1 January 2023.

Funding to improve Australia's resilience to natural disasters and support recovery of impacted communities, including $125.7 million over 5 years from 2022–23 (and $28.3 million per year ongoing) to uplift the capacity of the National Emergency Management Agency to support Australians during, and following, a disaster.

The Government will also provide $200 million in 2023–24 for disaster resilience initiatives through the Disaster Ready Fund to address a broad range of natural hazards, infrastructure needs, and for systemic risk reduction projects.

Additional amounts to be provided for a variety of measures including extending mental health services supporting communities affected by disasters, a new national cell broadcast messaging system to improve emergency warning communications and establishing and maintaining a Disaster Recovery Management System.

Climate, energy and emissions

Clean energy transition measures

Investment in renewable energy is at the core of the Government’s strategy for Australia’s economic growth and decarbonising the economy. Securing reliable, low-price electricity is also key to controlling inflation. This Budget invests a further $4 billion in renewable energy, bringing the Government's total investment to becoming a ‘renewable energy superpower’ to more than $40 billion. Some of the major initiatives announced include:

- The Capacity Investment Scheme: which delivers a price floor for new investment in firmed renewable generation and storage. The Government underwriting revenue in this way is expected to unlock an expected $10 billion of new investment in firmed renewable generation and storage.
- Rewiring the Nation: is the Government’s $20 billion investment in transformational transmission projects, including $1 billion in Tasmania’s Battery of the Nation projects, $1.5 billion towards Renewable Energy Zones and offshore wind in Victoria and $4.7 billion to unlock critical transmission in New South Wales.
- National Reconstruction Fund: will provide $15 billion of loans, guarantees and equity to support projects that create secure well-paid jobs, drive regional development, and diversify Australia’s economy. Up to $3 billion is ear-marked for renewables and low emissions technologies.
- Hydrogen Headstart: invests $2 billion in a new program to support hydrogen production.

National Net Zero Authority

A National Net Zero Authority will be established to assist workers, industries, communities, investors and companies navigate the transition towards a Net Zero Economy. The new authority will be up and running on the 1st of July with a mandate to:

- Support workers in emissions-intensive sectors to access new employment, skills and support as the net zero transformation continues.
- Coordinate programs and policies across government to support regions and communities to attract and take advantage of new clean energy industries.
- Help investors and companies to engage with net zero transformation opportunities.

Sustainable finance and stronger markets

- To help make Australia a leading destination for global green investors, the Government is implementing corporate climate disclosure requirements and developing a comprehensive Sustainable Finance Strategy.
- Key new commitments include establishing an Australian Government green bond program, co-funding development of a sustainable finance taxonomy with industry to provide a common standard for 'sustainable' finance, channelling more capital to support Australia's climate transition and achieve Australia's emissions targets - and resourcing ASIC to target greenwashing in financial markets.
- The Government will also provide $18.1 million over two years from 2023–24 to implement reforms to the operation of the Australian Carbon Credit Unit (ACCU) scheme recommended in the Independent Review of ACCUs.

Disaster resilience and adaptation

- To help communities strengthen their resilience and preparedness in the face of more frequent and intense natural disasters in 2023–24, the Government will provide $200 million through the Disaster Ready Fund to support projects like levee upgrades, seawalls and bushfire risk reduction projects.
- The Government will also provide $28.0 million over two years from 2023–24 to develop a National Climate Risk Assessment and a National Adaptation Plan to understand the risks to Australia from climate change, invest in a plan to adapt to those risks, and commission an independent review of the Australian Climate Service.

Health

Medicare

The Government is tripling the incentive paid to GPs to bulk bill consultations for families with children under 16 years, pensioners and Commonwealth concession card holders, at a cost of $3.5 billion. The tripling of the bulk billing incentive applies to:

- all face-to-face and telehealth general practices services between 6 and 20 minutes long;
- all other face-to-face general practice consultations;
- longer telehealth and general practice consultations where a patient is registered with their regular practice through MyMedicare.

The Government is also looking to increase access to primary care with coordinated teams to ensure Australians can continue to access health care when they need it:

- $445.1 million over five years to enable GPs to have nurses and allied health professionals working with them in cooperation for better care;
- $143.9 million over two years to encourage GPs to stay open for longer hours;
- $98.9 million over four years to connect frequent hospital users to general practices to receive comprehensive, multidisciplinary care in the community;
- $79.4 million over four years to support Primary Health Networks to commission allied health services to improve access to multidisciplinary care for people with chronic conditions in underserviced communities.

After consultation with the states and territories, the Government will provide additional funding of $358.5 million over five years from 2022–23 to deliver Medicare Urgent Care Clinics by the end of 2023, including 8 new Clinics. The Medicare Urgent Care Clinics will reduce pressure on hospital emergency departments and improve access for urgent, but not life-threatening, care. All Medicare Urgent Care Clinics will be open during extended business hours with no appointments required and will ensure that patients do not have out-of-pocket costs.

Private Health Insurance

There were no particular initiatives or measures raised in respect of private health insurance.

Wider health: digital systems, disease control

To lift health outcomes, this Budget invests $824.4 million in digital health, including to modernise the My Health Record system and fund other digital health initiatives. This will provide health professionals the digital and data tools to provide improved and more coordinated care. This Budget also introduces the MyMedicare system to strengthen the relationship between doctors and their patients and produce better continuity of care. In time, MyMedicare will also be extended to nurse practitioners and other primary care providers.

The Government is providing $91.1 million to commence the establishment of the Australian Centre for Disease Control. The COVID-19 pandemic demonstrated Australia needs to be better prepared for future pandemics and other health threats in the 21st century. The Centre will provide a national focal point for disease management to improve our ability to respond to health emergencies and other public health challenges.

Other Social Security measures

National Disability Insurance Scheme (NDIS)

National Cabinet has committed to reform of the NDIS to re-establish its financial sustainability. The commitment includes setting an annual growth target of 8 per cent by July 2026 with further moderation of growth thereafter. The reforms will be made in consultation with the independent NDIS Review which is due to report by October 2023.

Aged care

The cost of delivering aged care will rise by 23 per cent, increasing from $24.8 billion to an estimated $29.6 billion, including the delivery of a 15 % pay rise on award wages for aged care workers (at an estimated cost of $11.3 billion).

The Government is also redirecting some of its aged care spending. Treasury has forecast a $2.2 billion decrease in payments over the next three years on residential aged care due to an increasing preference of older people to remain in their homes. These savings have been redeployed on other aged care and health commitments.

To support older Australians who wish to remain at home for longer, the Government is investing $166.8 million to provide an additional 9,500 home care packages. This investment has been supported by investment of $71.5 million over 4 years from 2023–24 for the

Independent Health and Aged Care Pricing Authority to undertake pricing and costing research activities to develop efficient unit prices annually for the Support at Home Program.

From 1 July 2023, the Aged Care Quality and Safety Commission (ACQSC) will commence enhanced functions as part of their role as the independent prudential regulator. This will address recommendations 130 to 137 of the Royal Commission into Aged Care Quality and Safety. Additional funding will enable the ACQSC to better perform its prudential functions and to fulfil its new responsibilities, acting as a strong prudential regulator, including:

- monitoring aged care providers for viability risks and mitigating the risk of potential insolvency when appropriate;
- developing further financial and prudential reforms under the new Aged Care Act, including undertaking consultation on changes to Financial and Prudential Standards.

This general summary has been prepared for information only. Please refer to the Budget Papers for details in relation to specific issues.

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