FEDERAL BUDGET ANALYSIS

MAY 2023

CONTENTS

THE ECONOMY AND MARKETS

Easing the cost of living, or…stoking the fire?

Delivering an acceptable budget in a high inflation environment is a challenging task for any Government. Unlike a household budget, where it is ideal to spend less than you earn, the budget of a government is to support the economy. The Treasurer has projected that the Federal Budget should see a surplus of $4.2 Billion (0.2% of GDP) for 2022/23. This first surplus since 2007/08 and can be attributed to healthy receipts from tax revenue (both personal and company) because of a strong employment and wage growth, along with higher-than-expected commodity prices. The Albanese government have stated that they intend to retain 82% of the revenue they receive, as they are reluctant to add fuel to the inflationary fire and ultimately counteract monetary policy conducted by the Reserve Bank of Australia (RBA). While the RBA is an independent institution, it will no doubt analyse the proposed budget and make its own assessment of any impact it may have on inflation. As you can see from the table below, the Treasurer is forecasting a cash deficit of $13.9B in 2023/24, with total deficit spending over a five-year period projected to be -$109.9B.

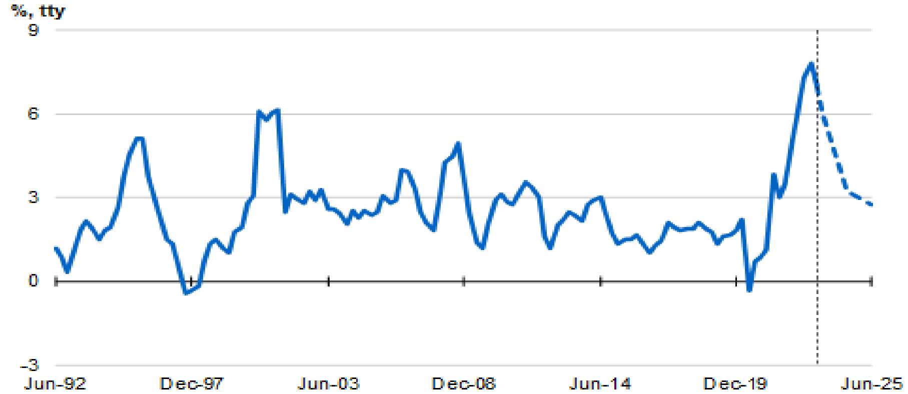
Table 1

	Actual	Estimates					
	2021-22 ($b)	2022-23 ($b)	2023-24 ($b)	2024-25 ($b)	2025-26 ($b)	2026-27 ($b)	Total ($b)
Underlying cash balance	*-32.00*	*4.2*	-13.9	-35.1	-36.6	-28.5	-109.9
Per Cent of GDP	*-1.40%*	*0.20%*	*-0.50%*	*-1.3*	*-1.3*	*-1%*	
Gross Debt	*895.3*	*887*	923	958	1,015	1,067	
Per Cent of GDP	*38.80%*	*34.90%*	*35.80%*	*36.30%*	*36.50%*	*36.50%*	
Net Debt (c)	*515.6*	*548.6*	574.9	665.2	665.2	702.9	
Per Cent of GDP	*22.30%*	*21.60%*	*22.30%*	*23.50%*	*24.00%*	*24.10%*	

Table 2

	Outcome (%)	Forecasts (%)			
	2021-22	2022-23	2023-24	2024-25	2025-26
Real GDP	*3.7*	*3.25*	1.5	2.25	2.75
Employment	*3.6*	*2.5*	1	1	1.75
Unemployment Rate	*3.8*	*3.5*	4.25	4.5	4.5
Consumer Price Index	*6.1*	*6*	3.25	2.75	2.5
Wage Price	*2.6*	*3.75*	4	3.25	3.25
Nominal GDP	*11*	*10.25*	1.25	2.5	5.25

Chart 2.21: Headline CPI growth



Source: ABS Consumer Price Index and Treasury.

While CPI peaked at 7.8% in December, Treasury are forecasting that CPI should be within the RBA range by 2024/25. The tightrope faced by the Government centres around providing cost of living assistance without fuelling inflation. The Treasurer has attempted to achieve this balance by being selective in where the Government spends the money in 2023/24. The bulk of the cost-of-living measures focus on the following key areas.

- Energy Bill Relief
- Medicare Bulk Billing Incentives
- Jobseeker and Rental Assistance

It is easy to be 'wowed' by the reference to billions of dollars, but the measures are the government's attempt to offset inflation. For example, the Jobseeker assistance of an additional $40 a fortnight represents an increase of 5.8%. The theory is that the recipient will be able to purchase what they need (and were already consuming) instead of buying more and adding to inflation. The measures are less about providing 'handouts' for households to spend at their own discretion, and more about leaving households with more in their pocket.

So, what are the risks to the Budget forecast?

It is worth noting that the Budget is forecasting an increase of $42B in tax receipts for 2023/24 off the back of higher commodity prices, strong employment, a pick-up in wages growth and high participation rates. This is all against a backdrop where Treasury are also forecasting the weakest 2 years of global growth outside of the pandemic and GFC.

We know that individual and company tax receipts represent 68.5% of total revenue. We also know that Social Security and welfare represents 36.5% of expenditure.

We can see from Table 2 above that the government is forecasting an increase in unemployment (from 3.5% to 4.25% in 2023/24). But what happens if unemployment turns out to be worse? Using the statistics, we can see that tax receipts would decrease (less people paying income tax) and welfare payments would increase (Jobseeker).

Household consumption growth is expected to slow from 5.75 per cent in 2022/23 to 1.5 per cent in 2023/24. The risk is that unemployment does rise faster than anticipated and household consumption falls below the 1.5 per cent forecast.

The forecast budget surplus is a welcomed announcement, but it should be noted that it is for the past 12 months and was off the back of a stronger economy and higher commodity prices, both of which are unlikely to be repeated going forward. The modest cash deficit for 2023/24 appears to be well targeted to minimise any inflationary impacts, but the ultimate judge will the RBA when it meets over the coming months. The Australian economy is in a better economic position that most developed countries, but we are still in a precarious position, and we may well see our fears of inflation being substituted with fears of unemployment in the next 12 months. We are hopeful that inflation will continue to abate and that households begin to critically analyse their own budgets.

SUPERANNUATION

Tax concession changes for balances over $3 million

Date of effect: 1 July 2025

Who's affected: Individuals with superannuation balances over $3m (including defined benefit schemes), and those likely to reach this amount

Tax concessions for individuals with total superannuation balances (which include accumulation accounts and account-based and defined benefit schemes) over $3 million are to be reduced. This measure had been announced before the budget and has been included in the budget while providing little extra detail.

Currently, fund earnings are taxed at 15% in accumulation phase or 0% when in an account-based pension. The proposal will see the portion deemed to be over $3m taxed at 30%. The individual will be liable for the tax payment, however, will have the ability to nominate a withdrawal from one of their superannuation interests to fund the payment.

At this stage, there has been no proposal to index the $3 million limit over time and there is still a lack of clarity on how fund earnings are to be defined.

Profile's view:

A positive from this change is that few people will be impacted and that it may help reduce the popular notion that superannuation only 'benefits the rich'. This could lead to more people engaging with their superannuation and utilising its benefits, while also increasing the sustainability of the system (and the likelihood of further tinkering). The absence of indexation is a concern and could result in far more people being impacted by the change in the years to come. For those impacted, a structural review should be completed to ensure any impact is limited.

Employers are forced to pay Superannuation Guarantee (SG) with wages

Date of effect: 1 July 2026

Who's affected: Employers paying, and employees receiving SG payments

Employers will be required to pay their employees' compulsory SG payments at the same time as salary and wages, rather than the current quarterly requirement. This will not impact the timing of existing salary sacrifice arrangements.

Profile's view:

The government estimates that young accumulators' balances will benefit by an estimated $6,000 over their lifetime because contributions will be made more frequently, and Profile sees this as a positive change to the current system. By aligning contributions with wages and salaries, it will be harder for employers to dodge mandatory payments which has been prolific in the past.

Amending the Non-Arm's Length Income (NALI) rules

Date of effect: Income years commencing on or after 1 July 2023

Who's affected: Self-managed superannuation fund (SMSF) members and small APRA regulated funds

Non-Arm's Length Income (NALI) occurs when an SMSF receives income or incurs a general fund expense on non-commercial terms. To deter this from occurring, where there is a general fund expense incurred below the market rate, 100% of the fund's income is classified as NALI and taxed at the top marginal rate of 45% (rather than a concessional rate of 15% or 0% for an exempt pension).

As a result of this measure, NALI will be limited to twice the level of the general expense below the market rate.

For example, if a general fund expense was $5,000 below the market rate, then the tax liability would be $4,500 ($5,000 x 2 x 45%).

Profile's view:

This change will have no impact on funds and individuals who are operating their Superannuation fund in a compliant manner. The change is a positive for those who inadvertently fail to meet the requirements as the penalty will be linked to the size of the breach rather than exposing their whole fund income to the penalty tax rate.

Minimum pension withdrawal requirements to revert to pre-COVID rates

Date of Effect: 1 July 2023

Who's affected: Superannuation pension holders

There was no change to the legislated minimum pension drawdown requirements in this year's Budget.

The 50% reduction in superannuation minimum drawdown requirements will cease from 1 July 2023.

Account-based pension holders will be required to draw the standard minimum rates from 1 July 2023 in line with the Table 3 below:

Table 3

Age on 1 July each year	Temporary minimum drawdown rates	Standard minimum drawdown rates from 1 July 2023
Under 65	2%	4%
65-74	2.5%	5%
75-79	3%	6%
80-84	3.5%	7%
85-89	4.5%	9%
90-94	5.5%	11%
95 or more	7%	14%

Profile's view:

A further extension of the current relief measures was not expected this year. Those that have been utilising the lower payment rates can expect a pension increase from July 2023. Subsequently, pension investment portfolios will need to consider the higher cash flow requirements.

Transfer Balance Cap to increase to $1.9 million

Date of Effect: 1 July 2023

Who's affected: People with superannuation pensions and superannuation members preparing to commence pensions

There were no changes to the planned indexation of the Transfer Balance Cap.

Earlier this year it was announced (in line with the existing legislation) that the Transfer Balance Cap, or the amount that can be transferred from accumulation to commence a pension, would increase in line with CPI from $1.7 million to $1.9 million on 1 July 2023.

Profile's view:

Indexation of the Transfer Balance Cap seeks to maintain the potential real value of the tax-effective pension environment that individuals can utilise to self-fund their retirement. In today's higher inflation environment, this indexation is especially important.

For those individuals considering commencing a pension with a balance where the Transfer Balance Cap may come into play, it might be worth considering a delay until 1 July 2023 once the indexation has been applied.

Superannuation Guarantee (SG) set to continually increase to 12%

Date of Effect: 1 July 2023

Who's affected: Those who are still working and receiving Superannuation Guarantee contributions

As planned, the percentage rate for SG contributions will increase from 10.5% to 11% from 1 July 2023, with plans continuing for this to reach 12% by 1 July 2025.

Table 4 shows the timetable for expected increases going forward.

Table 4

Financial Year	Expected Super Guarantee
1 July 2023-30 June 2024	11%
1 July 2024-30 June 2025	11.5%
1 July 2025-30 June 2026	12%
1 July 2026-30 June 2027	12%
1 July 2027-30 June 2028 and onwards	12%

Profile's view:

As strong advocates of the superannuation system, we support the increasing SG contribution rate to help put people in a position to self-fund a comfortable retirement. While increasing SG rates is a step in the right direction, it is important that individuals still consider if SG contributions alone will get their account balances to where they want them to be by the time they retire or if they will need to consider additional contributions.

Individuals with a salary sacrifice arrangement in place may also need to consider if these need to be amended so that the increased SG payments do not result in them breaching their concessional contribution cap.

For some individuals where their employment contracts are a "package" inclusive of SG payments (and their employer chooses not to absorb the increased SG payment rate), the change may result in lower take-home pay in an environment where the household costs are increasing.

For businesses whose employment contracts are packaged to include SG (or if they choose to absorb the increase), this will be another cost increase in an already inflationary environment.

TAXATION

For Individuals:

Stage 3 personal income tax changes

Date of effect: 1 July 2024 **Who's affected: Income Earners**

The former government legislated three stages of personal income tax cuts commencing from the 2018-19 financial year, with stage 3 of these tax cuts due to take effect on 1 July 2024. There has been ongoing speculation with the new government if they will uphold this or modify the legislation.

The budget announcement confirmed that there are no changes to this legislation scheduled to take effect from 1 July 2024. The stage 3 tax cuts will change the income tax rates and thresholds (for resident taxpayers) as follows in Table 5:

Table 5

<table>
<tr><th rowspan="2">Taxable Income ($)</th><th>Marginal tax rate*</th><th rowspan="2">Taxable Income ($)</th><th>Marginal tax rate*</th></tr>
<tr><th>Current 2022-23 And 2023-24</th><th>From 2024-25</th></tr>
<tr><td>$18,201 to $45,000</td><td>19%</td><td>$18,201 to $45,000</td><td>19%</td></tr>
<tr><td>$45,001 to $120,000</td><td>32.5%</td><td rowspan="2">$45,001 to $200,000</td><td rowspan="2">30%</td></tr>
<tr><td>$120,001 to $180,000</td><td>37%</td></tr>
<tr><td>$180,001 and over</td><td>45%</td><td>$200,001 and over</td><td>45%</td></tr>
</table>

*Excluding Medicare

Profile's view: Profile believes that the reduction in marginal tax rate will bring some relief to income earners in the face of prevailing high costs of living birthed by high inflation and interest rate rises. It must however be noted that the change in marginal tax rates is likely to be more significant to high income earners who never received the low- and middle-income tax offset:

Table 6

Taxable Income ($)	Personal Income tax in 2023-24 ($)	Personal Income tax in 2024-25 ($)	Tax Savings ($)
$18,200	Nil	Nil	Nil
$50,000	$6,717	$6,592	$125
$100,000	$22,967	$21,592	$1,375
$150,000	$40,567	$36,592	$3,975
$200,000	$60,667	$51,592	$9,075
$250,000	$83,167	$74,092	$9,075

No extension of the low- and middle-income tax offset (LMITO)

Date of effect: Tax year 2022/23 **Who's affected: Income earners up to $126,000**

One of the notable decisions made was not to extend the low- and middle-income tax offset (LMITO) beyond its scheduled end date of the 2021/22 financial year. The LMITO was introduced in 2018 as a temporary measure to provide tax relief for low and middle-income earners. It provides a tax offset of up to $1,500 for individuals with a taxable income of up to $126,000.

The decision not to extend the LMITO is expected to generate approximately $10 billion in revenue over the forward estimates period. The government stated that it is focusing on structural tax reform rather than temporary measures.

Profile's view: The decision not to extend the low- and middle-income tax offset in the 2022/23 budget means that many Australians will receive less tax relief in the current financial year. This may impact the disposable income of low and middle-income earners, which could have flow-on effects for consumer spending and economic growth. Table 7 below shows a comparison of the tax paid in 2021/22 vs 2022/23 and 2023/24 at a variety of income levels.

Table 7

Taxable Income ($)	2021/22 versus 2022/23 & 2023/24 ($)
25,000	$675 additional tax
50,000	$1,500 additional tax
100,000	$1,200 additional tax
200,000	No change

Table 8 below shows the consolidation of the removal of the tax offset and then new proposed tax brackets in 2024/25:

Table 8

Taxable Income ($)	2021/22 versus 2024/25 ($)
25,000	$675 additional tax
50,000	$1,375 additional tax
100,000	$175 tax savings
200,000	$9,075 tax savings

Increasing the Medicare levy low-income thresholds

Date of effect: 1 July 2022

Who's affected: Singles, families, and pensioners under the thresholds

The Government announced an increase to the Medicare levy low-income thresholds from 1 July 2022. This increase is to consider recent rises in inflation so lower-income earners continue to be exempt from paying the Medicare levy. The changes in the thresholds are:

- Singles – the threshold will be increased from an income of $23,365 per year to $24,276 per year.
- Families* – the threshold will increase from $39,402 to $40,939 per year.
- Single seniors and pensioners – the threshold increases from $36,925 to $38,365 per year.
- Family seniors and pensioners – the threshold increases from $51,401 to $53,406 per year.

*Family taxable income includes the combined income for a couple or the income of a sole parent. For each dependent child or student, the family income thresholds will increase by a further $3,760 instead of $3,619.

Profile's view: Profile believes that increasing the threshold will be welcomed by eligible people in our current inflationary environment.

Increasing the Supply of Social and Affordable Housing and Making it Easier to Buy a Home

Date of effect: 1 July 2023

Who's affected: Siblings, other family member, friends, and permanent residents

The government announced the expansion of eligibility for the Home Guarantee Scheme earlier this year. The measure expands eligibility to allow friends, siblings, or other family members to team up and buy their first home. It will also allow non-first home buyers who have not owned a property in Australia for at least 10 years to access the scheme. Australian permanent residents will also be eligible.

Profile's view: Expanding the scheme eligibility may help more people realise the dream of owning their own home. Allowing non-first home buyers may help people get back into their own home when they are eligible to do so.

Buying a home with siblings etc. would hopefully be a great outcome for everyone involved. However, it will be important for anybody considering doing this to think through the potential for any mismatch in objectives, needs and timeframes for the purchase. There could be any number of scenarios where the needs of individuals may be very different, and this could create financial difficulty and personal conflict.

Buying a home with as little as 2% - 5% as a deposit also presents the risk of 'negative equity' if the value of the property falls precipitously after purchase. This risk could limit the options to refinance a loan to take advantage of more competitive rates or in the worse-case scenario loss of the home if they are unable to make the repayments.

For Businesses:

Small Business Support – helping small business manage their tax instalments

Date of effect: 1 July 2023

Who's affected: Small businesses eligible to use the relevant instalment methods

For eligible small business (up to $10 million aggregated annual turnover for GST instalments and $50 million annual aggregate turnover for PAYG instalments), the ATO uses a GDP Adjustment Factor to reflect likely business income growth based on changes in the nation's GDP. For the 2023-24 financial year, the GDP Adjustment Factor for PAYG and GST instalments has been reduced from 12% to 6%.

The government argues this measure will provide cash flow support to small businesses and better reflects the economic conditions faced by the sector.

Profile's view: The reduction to the GDP Adjustment Factor to better reflect economic conditions faced by small business could be interpreted by a more pessimistic business owner as a prediction of a difficult year ahead.

The measure may be helpful for cash flow management (all else being equal), but if economic conditions are challenging there may be further pressures on cash flow which outweigh the relief offered by the reduction.

Driving Collaboration with Small Business to Reduce Compliance Time

Date of effect: 4 years from 1 July 2023

Who's affected: Businesses with an annual turnover of up to $50 million

The ATO will receive $21.8 million over 4 years from 2023-24 to lower the tax-related administrative burden for small businesses. Funding includes:

- $12.8 million will be used to trial an expansion of the existing ATO independent review process for small businesses subject to an ATO audit.
- $9 million will be used to fund 5 new tax clinics from 1 January 2025 to improve access to tax advice and assistance for 2.3 million small businesses.

There are also reforms to cut paperwork and the time spent by small businesses doing taxes. For example, from 1 July 2024 businesses can expect to receive faster, safer, and cheaper income tax refunds as a result of the ATO 'reducing' the use of cheques.

Profile's view: Any measure to reduce tax-related administrative burdens is welcome.

However, the trial expansion of the independent review process means that eligible business will still be subject to ATO audit and if the business disagrees with the audit position an independent review may or may not be more burdensome than other dispute resolution services.

Regarding tax clinics, eligibility for the $9 million in funding is to be extended to TAFE institutions to improve access in regional areas. Motivated regional business owners who choose to take advantage of the improved access to tax advice and assistance may gain greater knowledge of the system which hopefully may help them avoid the need to access the trial expansion of the independent review process.

Small Business Support – $20,000 instant asset write-off

Date of Effect: 1 July 2023-30 June 2024 **Who's affected: Small Business Owners**

From 1 July 2023 to 30 June 2024, eligible small businesses with an aggregated turnover of less than $10 million will be able to immediately deduct the full cost of eligible assets costing less than $20,000 that are first used or installed ready to use during this time.

The $20,000 threshold will apply on a per asset basis.

Assets valued $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciate pool and depreciated at 15% in the first income year and 30% each income year thereafter. Businesses that have previously opted out of applying the simplified depreciation pool will be able to re-enter the regime up to 30 June 2024.

Profile's View: This incentive enables small businesses to get an immediate deduction for eligible assets under $20,000. It should be highlighted that the previous stimulus measure of providing business with aggregated turnover of up to $5 billion with the ability to deduct the full cost of eligible assets acquired after 7:30pm on 6 October 2020 and first installed or ready for use on or before 30 June 2023 has not been extended. This temporary measure will only benefit small businesses. The normal tax depreciation rules will apply to all assets first used or installed ready to use from 1 July 2023.

Small Business Energy Incentive

Date of Effect: 1 July 2023-30 June 2024 **Who's affected: Small Business Owners**

The Government has announced it will support small and medium businesses to save on energy bills through incentivising the electrification of assets and improvements to energy efficiency.

Business with an aggregate turnover of less than $50 million will be able to deduct an additional 20 per cent of the eligible cost of depreciating assets that support electrification and more efficient use of energy.

Up to $100,000 of total maximum expenditure will be eligible for the Small Business Energy Incentive, with the maximum bonus deduction being $20,000.

Profile's View: Profile is glad to see the government supporting energy efficiency and hopes that there will be continued support in the future.

SOCIAL SECURITY

Cost of Living Relief

Date of effect: 1 July 2023

Who's affected: Concession card holders and small business customers

The Federal Government will spend $1.5 billion on energy bill relief, teaming up with states and territories to offer a one-off payment of up to $500 for 5 million eligible households and up to $650 for eligible small businesses. The support will go to people who receive government welfare payments and about 1 million small businesses and will be a rebate applied directly to one's electricity bill.

Those households include:

- Concession card holders (Pensions and Commonwealth Seniors Health Card).
- People receiving family and carers payments (Family Tax Benefit A and B, Carer's allowance); and
- People who currently receive electricity concessions under current schemes in their state or territory.

The rebates are being co-funded and administered by the States and Territories, who agreed that the states with the highest bills will pay more. The federal government will contribute $250 which will be matched by the governments of NSW, Victoria, Queensland, South Australia, and Tasmania, meaning total relief will be $500.

However, in Western Australia, the NT and ACT, the relief will be lower with those jurisdictions matching the Commonwealth's contribution of $175, meaning a total rebate will be only $350. This is because those jurisdictions are less exposed or not exposed to volatility in the national energy market, with their own governments managing their markets. Eligible small business will get up to $650. The measure is not reliant on legislation passing, so it is set in stone.

"The payment will be automatic, and customers do not have to do anything", says Services Australia. Services Australia will contact customers from September 2023 if any action is required.

Profile's View: A welcome, direct, and practical provision showing the Government has recognised the marked increase in household and small business energy bills. This is timed well as Australians enter the colder months. The inclusion of CSHC holders is supportive of self-funded retirees, who do not usually see such support. The eligibility criteria for participants are clear, along with the payment method, however the practicalities of eligibility dates are to be determined by Services Australia. For example, if someone is granted a CSHC during August 2023 do they also become eligible for the Energy Payment Relief?

The logistical challenges of administering this measure between the Federal and State Governments and then the Energy companies is going to be interesting to watch.

Pharmaceutical Changes

Date of effect: 1 September 2023

Who's affected: Those with stable, ongoing medical conditions

The Government will support more than 300 common Pharmaceutical Benefits Scheme medicines to be dispensed in greater amounts commencing from 1 September 2023. This will allow patients with stable, ongoing medical conditions to acquire more medications per individual doctor visit which should decrease the number of visits required to the chemist or doctor each year. The Government estimates this should save $1.2 billion in out-of-pocket costs over 5 years.

The changes apply to medicines for chronic conditions such as heart disease, high cholesterol, Crohn's disease, and hypertension. GPs will retain the option to issue a one-month supply if there is any risk to the patient.

The Government is also committing $79.5 million over 4 years to double the Regional Pharmacy Maintenance Allowance, aiding where it is needed in regional areas.

Profile's View

This is essentially a two-for-one prescription change and will save those requiring regular medicine, money, and time, as those requiring regular medication will require fewer visits to their GP for prescriptions. It will also provide a more efficient allocation of time for doctors tending to patients, in particular those in rural areas who have to travel great distances for prescriptions. Profile understands the changes are supported by the Australian Medical Association; however, concerns have been raised for Pharmacists and their businesses with fewer customer visits, which is a real concern.

Increase to Jobseeker Payments

Date of effect: 20 September 2023

Who's affected: JobSeeker and other working age and student payment recipients

The Federal Government will spend $4.9 billion over five years from FY2022-23 to increase support for working age payments. Those receiving JobSeeker Payment, Youth Allowance, Parenting Payment (Partnered), Austudy, Abstudy, Disability Support Pension (Youth), and Special Benefit will receive an increase of $40 per fortnight or $2.86 per day.

Single JobSeeker recipients aged 55 and over will receive an additional $92.10 per fortnight if they have been receiving the payment for nine or more continuous months.

Profile's View

As the costs of food, fuel, and daily expenses continue to rise each month, many Australians are feeling the financial strain. These measures acknowledge the difficulties experienced by JobSeekers, in their efforts to re-enter the workforce. The measures for over 55s help address the obstacles of age-related biases and health-related concerns, especially for women.

The proposed increase to working age and student payment recipients provides some relief to the cost-of-living pressures and in helping those who need it the most, although far short of what had been campaigned for.

Encouraging pensioners back to work

Date of effect: 1 July 2023

Who's affected: Age and Veterans pensioners

The Federal Government will provide $3.7 million in FY2023-24 to:

- Provide age and veteran pensioners with a one-time credit of $4,000 to their Work Bonus income bank; and
- Increase the maximum income bank by 6-month temporarily, until December 31, 2023.

Under this measure, pensioners can earn up to $11,800 before their pension is reduced.

Profile's View:

This initiative aims to provide greater support to pensioners who aspire to either enter or re-enter the workforce by removing the risk of losing their pension entitlements. By doing so, this change will incentivise pensioners to actively pursue employment opportunities and improve their financial independence. We welcome this positive step towards promoting workforce participation among older Australians.

Single Parenting Support

Date of effect: 1 July 2023

Who's affected: Parenting Payment (Single) recipients

The Federal Government will provide $1.9 billion over 5 years from FY2022-23 and $0.5 billion per year ongoing, to extend the Parenting Payment (Single) to eligible recipients.

This payment is extended until their youngest child turns 14 years of age. This is an increase from the current age limit of 8 years of age and will provide an extra cash flow of $176.90 per fortnight.

Profile's View: This measure recognizes the employment and income challenges faced by single parents due to caring responsibilities and aims to improve long-term economic outcomes for carers and their children.

Childcare Subsidy

Date of effect: 10 July 2023

Who's affected: Families with a combined income of less than $530,000 annually

The government is taking on up to 90% of childcare costs for families with an annual income below $530,000.

An average Australian family should save around $119 per fortnight in childcare costs because of this measure.

Profile's View:

We welcome this measure, which will ease the pressure for many families, helping to better manage their household budgets, which are already tight. That said, the catchment pool being families with combined incomes of less than $530,000 begs the questions of why such a high threshold.

Increase for Commonwealth Rent Assistance Recipients

Date of effect: 1 July 2023

Who's affected: Current Commonwealth Rent Assistance recipients

The Government has allocated $2.7 billion over 5 years from 1 July 2023 to increase the maximum rates of Commonwealth Rent Assistance by 15%.

Households receiving the Commonwealth Rent Assistance will enjoy an increase up to $31 extra each fortnight, which equates to $2.21 extra per day.

Profile's View:

This measure provides some relief to the current rental affordability crisis for those on welfare payments. Nonetheless, our perspective is that the small assistance may not ease the financial pressures for many tenants struggling to pay their rent, given the annual rent escalation experienced in the last 12 months.

Aged Care Workers 15% Pay Increase

Date of effect: 1 July 2023

Who's affected: Aged care nurses and workers

Eligible aged care workers will receive an extra $7,000 and nurses an additional $10,000 per annum to cover the rising cost of living pressures. This is the most significant pay increase in the 2023 Federal budget.

250,000 aged care workers including registered nurses, enrolled nurses, personal care workers, head chefs, cooks, recreational activities officers, home care workers and other employees will receive the increase. Employers will be legally obliged to pay 15% above the award for workers which is expected to entice workers to the sector to help clear longstanding leave liabilities.

Profile's View

This is a most welcome change for what is becoming a growing sector in the economy and will continue to do so. It was noted recently that the sector is short some 35,000 workers, with about 18,000 having left the industry since August 2022.

With an ageing population and forecasts showing a substantial increase to those requiring age care assistance, the increase is necessary as a part of the forward planning for this essential service. Practically, we will need to see whether the increased wages are going to be fully Government funded or whether this will result in increased fees for residents, an issue for the sector to manage.

Given the difficulty experienced in recent years and the care economy being long undervalued, this increase will be well received and is well allocated.

Improving Aged Care

Date of effect: 1 July 2023 **Who's affected: Aged care recipients**

The Government will provide additional funding of $338.7 million over four years from 2023–24 to improve the in-home aged care system, including:

- The release of an additional 9,500 Home Care Packages in 2023-24; and
- Establishing a single aged care assessment system.

The Government will provide additional funding over five years to continue to improve the delivery of aged care services in response to the Final Report of the Royal Commission into Aged Care Quality and Safety. This includes:

- extending the Disability Support for older Australians.
- introduction of a new General Practice incentive payment for Aged Care residents to improve GP attendance and to reduce avoidable hospitalisations; and
- a new place assignment system, allowing older Australians to select their residential aged care provider.

Funds are also being allocation for several initiatives to further reduce the number of people under the age of 65 living in residential aged care. Some of the initiatives include:

- providing targeted education and training packages for General Practitioners, clinical staff, social workers, carers, advocates, families, and other organisations, and people that support and influence the decision making of younger people in residential aged care.
- establishing a central function in the Department of Health and Aged Care to support nationally consistent decision making on the eligibility of younger people seeking to enter residential aged care; and
- evaluating actions already taken by governments to reduce the number of younger people in residential aged care, which will help future initiatives.

Profile's View

Given that a number of these changes seek to address outcomes of the Royal Commission into Aged Care, these seem thoughtful, direct, and progressive. They are broad reaching and along with the worker's pay increase, should help to ease the burden the sector has faced over recent years. It is yet to be seen whether the outcome will have the desired effect, however, bringing it into consciousness for the relevant decision makers, is a good step forward.

Getting the NDIS Back on Track

Date of effect: Starting 1 July 2023 **Who's affected: Participants of the NDIA & NDIS**

It is a priority of the Government that the National Disability Insurance Scheme (NDIS) be sustainable for future generations so that people with disabilities will achieve better outcomes than they have in the past.

To achieve this, $910 million dollars over 4 years has been allocated to improve the effectiveness of the scheme by uplifting capabilities, capacity, and systems to better support people with a disability. Examples includes:

- A large proportion for investment in the NDIA's workforce capability and systems.
- Better support of participants to manage their plan within budget.
- A focus on a lifetime approach and strengthening supported independent living.
- Trialling approaches to partner with communities to improve access to support remote First Nations communities; along with
- A crack down on fraud in the Scheme.

In addition to these measures and recognising that the NDIS is a demand driven system, National Cabinet has committed to a NDIS Financial Sustainability Framework, under which target growth rate will be cut from the current 13.8% to 8% by July 2026, saving more than $59 billion over 10 years.

Profile's View: The proposed 8 per cent growth target falls significantly short of the current rate of NDIS growth of around 14 per cent a year, which includes rising wages, extra therapy and support for some participants and more hours of disability support work, not to mention the increasing cost of services the general population is experiencing.

Whilst it is possible that efficiency gains could deliver cost benefits for the Scheme, it is difficult to see that the decrease in the growth target will be achieved, leading to cost overruns, or continued poor outcomes for those in need of help.

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