Federal Budget 2022-23: Overview and summary of measures

Key Announcements

As signalled in the lead-up, this election Budget 2022-23 is focused on addressing cost of living pressures, maintaining Australia's relative economic strength, and further investments in national security. It includes focus on income support, housing, cyber security, digitisation and small business support.

Continuing the trend from recent years, there are not many new announcements or surprises tonight – the majority of measures were announced or foreshadowed over the past few weeks.

Key budget measures include:

- A 50% reduction in **fuel excise** for 6 months, from s 44.2 cents per litre to 22.1 cents per litre, commencing 30 March 2022.
- Cost of living tax offset (**low and middle income tax offset**) – increased and extended
  - This proposal will increase the LMITO by $420 for the 2021-22 income year. This increases the maximum LMITO benefit in 2021-22 to $1,500 for individuals and $3,000 for couples.
- **Home Guarantee Scheme** increased to 50,000 guarantees per year for 3 years from 2022-23 and then 35,000 a year.
- The Government will provide $9.9 billion over 10 years to 2030-31 to the Australian Signals Directorate (ASD) to deliver a Resilience, Effects, Defence, Space, Intelligence, Cyber and Enablers package (**REDSPICE**).
- **Technology investment boost** - Small business (with aggregated annual turnover of less than $50 million) will be able to deduct an additional 20 per cent of the cost incurred on business expenses and depreciating assets that support their digital adoption, such as portable payment devices, cyber security systems or subscriptions to cloud-based services (to an annual cap of $100,000).

General Budget and Economic forecasts

- **An underlying cash deficit** of 3.4 per cent of GDP ($78.0 billion) is estimated in 2022-23, improving to an estimated deficit of 1.6 per cent of GDP ($43.1 billion) in 2025-26.
- **Net debt** is expected to be 31.1 per cent of GDP at 30 June 2023, lower than the estimate of 34.7 per cent of GDP at MYEFO. Net debt is expected to stabilise at 33.1 per cent of GDP at the end of forward estimates, before improving over the medium term to reach 26.9 per cent of GDP at 30 June 2033.
- **Real GDP** is forecast to grow by 4¼ per cent in 2021-22. Real GDP is forecast to grow by 3½ per cent in 2022-23 and 2½ per cent in 2023-24. Real GDP is forecast to remain above the 2021-22 MYEFO profile over the forecast period, growing by 2½ per cent in 2024-25 and 2025-26.
- **Unemployment rate** is expected to fall to 3¾ per cent in the September quarter of 2022 and remain at that level until the end of 2024-25. From that point, the unemployment rate is assumed to steadily transition to the assumed non-accelerating inflation rate of unemployment (NAIRU) of 4¼ per cent.
- **Inflation** is expected to moderate from 4¼ per cent in 2021-22 to 3 per cent in 2022-23 and 2¾ per cent in 2023-24.

- **Total business investment** is forecast at 5½% in 2021/22, rising to 9% in 2022/23.
- **Household consumption** to reach 5¾% in 2022/23, falling to 3¾ % in 2023/24.

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Announcements

- *Source: Budget Paper No. 2.*

Cost of living

Addressing Cost of Living Pressures – temporary reduction in fuel excise

Global oil prices have risen significantly since the Russian invasion of Ukraine. The Government will help reduce the burden of higher fuel prices at home by halving the excise and excise-equivalent customs duty rate that applies to petrol and diesel for 6 months. The excise and excise-equivalent customs duty rates for all other fuel and petroleum-based products, except aviation fuels, will also be reduced by 50 per cent for 6 months. The Government is responding in a temporary, targeted and responsible way to reduce cost of living pressures experienced by Australian households and small businesses.

The measure will commence from 12.01am on 30 March 2022 and will remain in place for 6 months, ending at 11.59pm on 28 September 2022. Under the measure, existing policy settings for fuel excise and excise-equivalent customs duty, including indexation in August, will continue but on the basis of the halved rates. At the conclusion of the 6 month period the excise and excise-equivalent customs duty rates will then revert to previous rates, including indexation that would have occurred on those rates during the 6 month period.

The rate of excise and excise-equivalent customs duty currently applying to petrol and diesel is 44.2 cents per litre. This measure will halve the rate on petrol and diesel to 22.1 cents per litre from 30 March 2022, with the price faced by consumers expected to be reduced by a larger magnitude given GST will be levied on the lower excise rate.

The Australian Competition and Consumer Commission will monitor the price behaviour of retailers to ensure that the lower excise rate is fully passed on to Australians. This targeted measure to provide temporary relief from fuel price pressures will be legislated to end on 28 September 2022.

This measure is estimated to decrease receipts by $5.6 billion, and decrease payments by $2.7 billion over the forward estimates period.

Cost of living tax offset (low and middle income tax offset [LMITO])

The Government will increase the low and middle income tax offset (LMITO) for the 2021-22 income year. LMITO is targeted at low- and middle-income earners that are most susceptible to cost of living pressures. The Government is responding in a temporary, targeted and responsible way to reduce cost of living pressures experienced by Australian households.

The LMITO for the 2021-22 income year will be paid from 1 July 2022 when Australians submit their tax returns for the 2021-22 income year. This proposal will increase the LMITO by $420 for the 2021-22 income year. This increases the maximum LMITO benefit in 2021-22 to $1,500 for individuals and $3,000 for couples.

Other than those that do not require the full offset to reduce their tax liability to zero, all LMITO recipients will benefit from the full $420 increase. All other features of the current LMITO remain unchanged. Consistent with the current LMITO, taxpayers with incomes of $126,000 or more will not receive the additional $420.

This measure is estimated to decrease receipts by $4.1 billion over the forward estimates period. This measure builds on the 2021-22 Budget measure titled Retaining the low and middle income tax offset for the 2021-22 income year.

Cost of Living Payment - $250

The Government will provide $1.5 billion in 2021-22 to provide a $250 economic support payment to help eligible recipients with higher cost of living pressures. The payment will be made in April 2022 to eligible recipients of the following payments and to concession card holders.

- Age Pension
- Disability Support Pension
- Parenting Payment • Carer Payment
- Carer Allowance (if not in receipt of a primary income support payment)
- Jobseeker Payment
- Youth Allowance
- Austudy and Abstudy Living Allowance
- Double Orphan Pension
- Special Benefit
- Farm Household Allowance
- Pensioner Concession Card (PCC) holders
- Commonwealth Seniors Health Card holders
- eligible Veterans' Affairs payment recipients and Veteran Gold card holders.

The payments are exempt from taxation and will not count as income support for the purposes of any income support payment. A person can only receive one economic support payment, even if they are eligible under 2 or more of the categories outlined above. The payment will only be available to Australian residents.

Personal Income Tax – increasing the Medicare levy low-income thresholds

The Government will increase the Medicare levy low-income thresholds for seniors and pensioners, families and singles from 1 July 2021. The increase in thresholds takes account of recent movements in the consumer price index so that low-income individuals continue to be exempt from paying the Medicare levy.

Supporting Retirees – extension of the temporary reduction in superannuation minimum drawdown rates

The Government has extended the 50 per cent reduction of the superannuation minimum drawdown requirements for account-based pensions and similar products for a further year to 30 June 2023.

The minimum drawdown requirements determine the minimum amount of a pension that a retiree has to draw from their superannuation in order to qualify for tax concessions. Given ongoing volatility, this change will allow retirees to avoid selling assets in order to satisfy the minimum drawdown requirements.

This measure is estimated to decrease receipts by $50.0 million and increase payments by $2.8 million over the forward estimates period.

COVID-19 Response Package – tax deductibility of COVID-19 test expenses

The Government will ensure that the costs of taking a COVID-19 test to attend a place of work are tax deductible for individuals from 1 July 2021. In making these costs tax deductible, the Government will

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also ensure fringe benefits tax (FBT) will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose.

Housing

Affordable Housing and Home Ownership

The Government will increase the number of guarantees under the Home Guarantee Scheme to 50,000 per year for 3 years from 2022-23 and then 35,000 a year ongoing to support homebuyers to purchase a home with a lower deposit.

The guarantees will be allocated to provide:

- 35,000 guarantees per year ongoing for the First Home Guarantee (formerly the First Home Loan Deposit Scheme) •
- 5,000 places per year to 30 June 2025 for the Family Home Guarantee •
- 10,000 places per year to 30 June 2025 for a new Regional Home Guarantee that will support eligible citizens and permanent residents who have not owned a home for 5 years to purchase a new home in a regional location with a minimum 5 per cent deposit.

This will come at a cost of $8.6 million over 4 years from 2022-23 and $138.7 million over 7 years from 2026-27, with $20.5 million per year ongoing from 2033-34.

The Government will also increase the Government guaranteed liability cap of the National Housing and Finance Investment Corporation (NHFIC) by $2.0 billion to $5.5 billion to enable NHFIC to support increased loans through the Affordable Housing Aggregator, which increases support for affordable housing.

This measure builds on the 2021-22 MYEFO measure titled Supporting the Delivery of More Affordable Housing and the 2021-22 Budget measure titled Housing Package.

Cyber

REDSPICE – Expanded cyber and intelligence capability

The Government will provide $9.9 billion over 10 years to 2030-31 to the Australian Signals Directorate (ASD) to deliver a Resilience, Effects, Defence, Space, Intelligence, Cyber and Enablers package (REDSPICE).

REDSPICE is the largest ever investment in Australia's intelligence and cyber capabilities and will double ASD's size, creating 1,900 new jobs over the next decade, bolstering the Government's commitment to Australia's Five-Eyes and AUKUS trilateral partners while supporting a secure Indo-Pacific region.

REDSPICE will triple ASD's offensive cyber capabilities and double its cyber hunt and response activities, preserving ASD's capability edge and delivering strategic advantage for Australia over the coming decade and beyond. The package will help ASD to keep pace with the rapid growth of cyber capabilities of potential adversaries, as well as being able to counter attack and protect our most critical systems.

REDSPICE will offer significant opportunities for Australian industry and support new employment pathways through partnerships with educational institutions, particularly in the areas of data science and analysis, artificial intelligence, cyber security and ICT engineering.

The unprecedented investment will equip ASD with the capabilities to defend Australia in the changing strategic environment. The enhanced capacity will help anticipate and deter a crisis and deliver asymmetric capabilities.

The cost of this measure will be partially offset from the Defence Integrated Investment Program.

Digital Economy Strategy

Digital Economy Strategy

The Government will provide $130.1 million over 4 years from 2022-23 to continue implementation of the Digital Economy Strategy and drive digital transformation.

Funding includes:

- $38.4 million over 3 years from 2022-23, and $12.6 million per year ongoing from 2025-26 to implement the Government's response to the Inquiry into the **Future Directions for the Consumer Data Right**
- $30.2 million to extend the whole of government cyber hubs pilot, including the establishment of a fourth Cyber Hub Pilot in the Australian Taxation Office
- $18.6 million over 4 years from 2022-23 (and $3.2 million per year ongoing) to shape global critical and emerging technology standards
- $13.6 million over 4 years from 2022-23 to continue the Office of Future Transport Technology and support the digitalisation of the transport sector
- $6.2 million over 2 years from 2022-23 to position Australia as a world leader in regulating the Digital Economy and new technologies and the development of a Digital Age Policy
- $4.8 million to continue the Digital Technology Taskforce for a further 2 years
- $3.9 million over 2 years from 2022-23 to support women to pursue career opportunities in Australia's growing tech workforce
- $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.

This measure will also provide funding to the Department of Industry, Science, Energy and Resources to further invest in the Australian quantum computing industry to support growth and fast-track technology development. The financial implications are not for publication (nfp) due to commercial sensitivities. This measure builds on the 2021-22 MYEFO measure Digital Economy.

Small business and agriculture

COVID-19 Economic Support

In addition to the $7.3 billion provided in MYEFO for COVID-19 Business Support Payments, the Government will provide a further $53.9 million in 2021-22 to extend COVID-19 Business Support Payments and access to the Pandemic Leave Disaster Payment. Further information on jointly-funded business support arrangements for all states and territories is provided in Budget Paper 3 – Federal Financial Relations.

This measure builds on the 2021-22 MYEFO measure titled COVID-19 Response Package – COVID-19 Business Support.

Small Business Support Package

The Government will provide $25.2 million over 3 years from 2021-22 to deliver initiatives to support small businesses. Funding includes:

- $10.4 million over 2 years from 2022-23 to enhance and redesign the Payment Times Reporting Portal and Register to improve efficiency and reporting
- $8.0 million in 2022-23 to the Australian Small Business and Family Enterprise Ombudsman to work with service providers to enhance small business financial capability
- $4.6 million over 2 years from 2021-22 to support the New Access for Small Business Owners program delivered by Beyond Blue to continue to provide free, accessible, and tailored mental health support to small business owners
- $2.1 million over 2 years from 2021-22 to extend the Small Business Debt Helpline program operated by Financial Counselling Australia to continue to provide financial counselling to small businesses facing financial issues.

Further information can be found in the media release of 13 January 2022 issued by the Acting Minister for Employment, Workforce, Skills, Small and Family Business.

Small Business – technology investment boost

The Government is introducing a technology investment boost to support digital adoption by small businesses. The boost will apply to eligible expenditure incurred from 7:30pm (AEDT) on 29 March 2022 (Budget night) until 30 June 2023.

Small businesses (with aggregated annual turnover of less than $50 million) will be able to deduct an additional 20 per cent of the cost incurred on business expenses and depreciating assets that support their digital adoption, such as portable payment devices, cyber security systems or subscriptions to cloud-based services. An annual cap will apply in each qualifying income year so that expenditure up to $100,000 will be eligible for the boost.

The boost for eligible expenditure incurred by 30 June 2022 will be claimed in tax returns for the following income year. The boost for eligible expenditure incurred between 1 July 2022 and 30 June 2023 will be included in the income year in which the expenditure is incurred.

This measure is estimated to decrease receipts by $1.0 billion, and increase payments by $7.2 million over the forward estimates period.

COVID-19 Response Package – making COVID-19 business grants non-assessable non-exempt

The Government has extended the measure which enables payments from certain state and territory COVID-19 business support programs to be made non-assessable non-exempt (NANE) for income tax purposes until 30 June 2022. This measure was originally announced on 13 September 2020.

Employee Share Schemes – expanding access and further reducing red tape

The Government will expand access to employee share schemes and further reduce red tape so that employees at all levels can directly share in the business growth they help to generate. Where employers make larger offers in connection with employee share schemes in unlisted companies, participants can invest up to:

- $30,000 per participant per year, accruable for unexercised options for up to 5 years, plus 70 per cent of dividends and cash bonuses; or
- any amount, if it would allow them to immediately take advantage of a planned sale or listing of the company to sell their purchased interests at a profit.

The Government will also remove regulatory requirements for offers to independent contractors, where they do not have to pay for interests.

This measure is estimated to result in an unquantifiable impact on receipts over the forward estimates period.

Patent Box – expanding the patent box tax concession to agricultural sector innovations

The Government will expand the patent box, announced in the 2021-22 Budget and currently before Parliament, to support practical, technology-focused innovations in the Australian agricultural sector.

The Government will provide concessional tax treatment for corporate taxpayers who commercialise their eligible patents linked to agricultural and veterinary (agvet) chemical products listed on the Australian Pesticides and Veterinary Medicines Authority (APVMA), PubCRIS (Public Chemicals Registration Information System) register, or eligible Plant Breeder's Rights (PBRs)

Patent Box – expanding the patent box tax concession to low emissions technology innovations

The Government will expand the patent box, announced in the 2021-22 Budget and currently before Parliament, to support the Government's technology-focused approach to reducing emissions in line with the Government's target to achieve net zero emissions by 2050. The expanded patent box will provide concessional tax treatment for corporate taxpayers who commercialise their patented technologies which have the potential to lower emissions. Eligible corporate income will be subject to an effective income tax rate of 17 per cent, for patents granted after 29 March 2022 and for income years starting on or after 1 July 2023. Eligible income will be taxed at the concessional tax rate to the extent that the research and development of the innovation took place in Australia

Patent Box – tax concession for Australian medical and biotechnology innovations: updated policy specifications

The Government has expanded the 2021-22 Budget measure Patent Box – tax concession for Australian medical and biotechnology innovations. The Government will now allow patents granted or issued after 11 May 2021 to be eligible for the regime. This will incentivise further research and development (R&D) to be undertaken in Australia on medical and biotechnology patents, much of which occurs after the patent application.

Energy and emissions reduction

Energy and Emissions Reduction

The Government will provide a further $446.1 million over 5 years from 2021-22 to increase energy security, maintain affordable and reliable power for households and businesses and reduce the cost of deploying low emissions technologies, consistent with Australia's Long Term Emissions Reduction Plan. Funding includes:

- $247.1 million over 5 years from 2021-22 (and $0.3 million per year ongoing) to support increased private sector investment in low emissions technologies including hydrogen, the continued development of a hydrogen Guarantee of Origin scheme, and the development of a Biodiversity Stewardship Trading Platform to support farmers to undertake biodiversity activities ahead of the introduction of a voluntary biodiversity stewardship market
- $148.6 million over 5 years from 2022-23 to support more investment in affordable and reliable power, including the development of community microgrid projects in regional and rural Australia

- $50.3 million over 2 years from 2022-23 to accelerate the development of priority gas infrastructure projects consistent with the Future Gas Infrastructure Investment Framework and support investment in carbon capture and storage pipeline infrastructure.

To support market confidence, the Clean Energy Regulator will streamline the process for existing Emissions Reduction Fund (ERF) fixed delivery contract holders seeking to take advantage of higher voluntary private market prices, with no change to the quantum of funding available under the Emissions Reduction Fund or Climate Solutions Fund. The financial implications for this measure are not for publication (nfp) due to commercial sensitivities.

The Government will also release Australian crude oil stocks held in the United States Strategic Petroleum Reserve in response to an International Energy Agency declared collective action, and seek to replenish storage of refined product (petrol, diesel and jet fuel) and purchase replacement oil stocks at a later date.

The financial implications for this measure are not for publication (nfp) due to commercial sensitivities.

Social services

Building the Long-Term Viability of the Financial Counselling Sector

The Government will provide $10.5 million over 4 years from 2021-22 to develop a voluntary industry funding model which will help meet the shortfall in general financial counselling services, including $1.5 million in seed funding to establish a new 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, supporting a virtual placement model for financial counselling students, and expanding the online chat and booking functionality of the National Debt Helpline.

This measure forms part of the Government's response to the findings of the Countervailing Power: Review of the coordination and funding for the financial counselling services across Australia (the Sylvan Review).

Partial funding for this measure has already been provided for by the Government.

Further information can be found in the media releases of 28 January 2022 issued by the Minister for Families and Social Services.

Financial Wellbeing and Capability activities

The Government will provide support for the recovery from the February / March 2022 floods in New South Wales (NSW) and Queensland.

Funding includes:

- $25.0 million to provide additional funding for Financial Wellbeing and Capability activities including emergency relief, food relief and financial counselling for communities affected by the floods in NSW and Queensland

Regulator levies

ASIC

	2021-22 ***Estimated actual (000)***	***2022-23*** ***(000)***	***2023-24*** ***(000)***	***2024-25*** ***(000)***	***2025-26*** ***(000)***
Taxation revenue	1,001,388	1,052,110	1,067,311	1,091,452	1,117,269
Non taxation (fines, other forms of regulatory services, other revenue)	790,000	715,947	706,623	710,657	716,287

APRA

	2021-22 **Estimated actual (000)**	**2022-23** **(000)**	**2023-24** **(000)**	**2024-25** **(000)**	**2025-26** **(000)**
Financial Institutions Supervisory Levies Collection Act	264,834	263,722	260,804	260,026	264,839

Major bank levy

	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Major Bank Levy (2021-22 Budget)	$1.65bn	$1.65bn	$1.70bn	$1.75bn	$1.80bn	-
Major Bank Levy (2022-23 Budget)	$1.619bn	$1,500	$1,550	$1,600	$1,650	$1,750
Change $mn	-$31m	-$150m	-$150m	-$150m	-$150m	-