



NEWSLETTER

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FINANCIAL SERVICES

Introduction

Welcome to our Budget edition newsletter. This week we saw the Commonwealth Government pass down the Federal Budget a couple of months earlier than usual. We go through all of the major announcements as they relate to our clients. There is nothing extraordinary in the Budget, but there is some good news. So, please enjoy!



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The Federal Budget

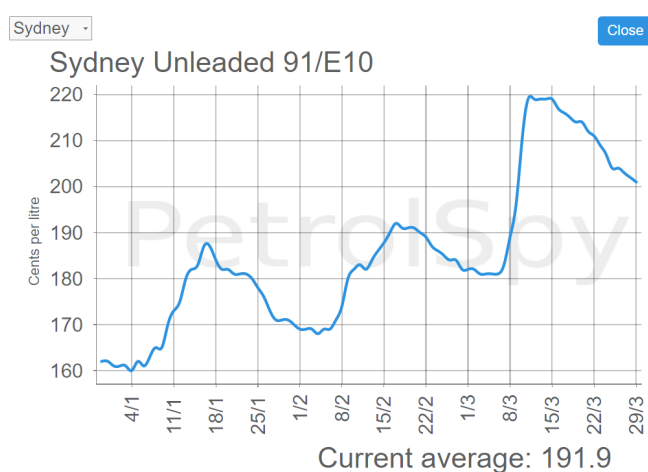
On Tuesday of this week, the Federal Treasurer handed down the Budget for the coming financial year. Ordinarily, this takes place in May but this year an election is expected at around that time. So, the Budget was brought forward.

In this newsletter, we look at those Budget announcements that are most likely to impact on the lives of individual clients and their families. If you want to know the real nitty gritty of what has been announced, visit www.budget.gov.au.

To be honest, this Budget was quite a bland one. There are no particularly significant announcements in terms of policy or 'nation-building' (at least as far as households are concerned). But it does contain some interesting news, so please read on!

Cash and Cash Equivalent Changes for Households

Anyone who drives a car will know that the price of petrol has rocketed up lately, mostly due to the events in Ukraine compounding Covid shortages and restricting supply around the world. Here is how things have looked since the start of January, according to <https://petrolspy.com.au/>:



The price of every litre of petrol purchased in Australia includes a Federal tax of 44 cents. This tax will be halved for the next six months, saving motorists 22 cents per litre (assuming that the tax cut is passed on in full – something that petrol retailers will almost certainly do given the scrutiny that will be made of their pricing).

Various Centrelink recipients (aged pension, disability pension, job seekers, etc) will receive a one-off payment of \$250, badged as a cost of living support. This payment will arrive promptly as the Commonwealth already has a payment mechanism in place for these recipients.

Low and middle income earners will receive an additional tax offset of up to \$420, bringing the total low and middle income tax offset for the year to \$1500 per person.

Women's Health and Safety

The Budget includes an additional \$1.3 billion in annual funding for various services that address women and violence. There are also some smaller amounts targeting women's health and programs to encourage women into interest such as IT.

Small Businesses

Small businesses will be able to claim a tax deduction worth 120% of external training courses undertaken by staff between Budget night and the end of the 2023/24 financial year. Businesses with turnover less than \$50 million are eligible for what is being called the Skills and Training Boost.

As training is a normal business expense, until now 100% of the cost has been deductible. So, the change is for an additional 20% to be able to be claimed.

The amount that can be claimed is capped at \$120,000, when training training costing \$100,000 is claimed. The maximum 'boost' per business is thus the applicable tax rate multiplied by \$20,000. If a company is paying tax at 30%, this equates to an additional \$6,667 for the company, after-tax.

The same maths will apply to the 'Technology Investment Boost.' Again, businesses with turnover of up to \$50 million will be able to claim a deduction of 120% of eligible technology spending, up to a limit of \$100,000 worth of spending. Precisely what purchases can be claimed is not yet available, but the Budget documents state that "*Items include portable payment devices, cyber security systems and subscriptions to cloud-based services.*"

The technology boost differs from the training boost in that it is only available until the end of the 2022/2023 year.

Tradespeople

An additional payment of \$5,000, spread over two years as training milestones are achieved, will be paid to eligible apprentices. Employers who take on eligible apprentices will receive a wage subsidy of up to 10% of the apprentice's wage.

Home Buyers

Places in what was known as the First Home Loan Deposit Scheme, and is now known as the Home Guarantee Scheme, will double to 50,000.

As we wrote after the 2020 Budget, the Home Guarantee Scheme is a scheme which makes it possible for first home buyers to secure a home loan, without needing mortgage insurance, with as little as 5% deposit (2% for single parents). The scheme works by having the recipient take up a bank loan to purchase a first home. The Commonwealth will then guarantee an amount equal to up to 15% of the value of the home. The idea is that the recipient's personal liability is capped at no more than 80% of value of the property. Usually, there is mortgage insurance to pay if you borrow more than 80% of the value of a property (this insures the lender, not the borrower. But the borrower pays the premium). This will still be the case – but the Government will pay this insurance for members of the scheme.

The first home Super Saver Scheme, which allows eligible people to withdraw voluntary contributions made into their super fund to finance a first home, will be expanded. Until now, eligible people have been able to contribute an extra \$30,000 into super (over and above

employer guarantee amounts). These contributions are tax deductible at the individual's tax rate and taxed at just 15% in the hands of the fund. So, the individual is able to save more through super than they could on their own.

The amount that can be saved and withdrawn via this method will now increase to \$50,000.

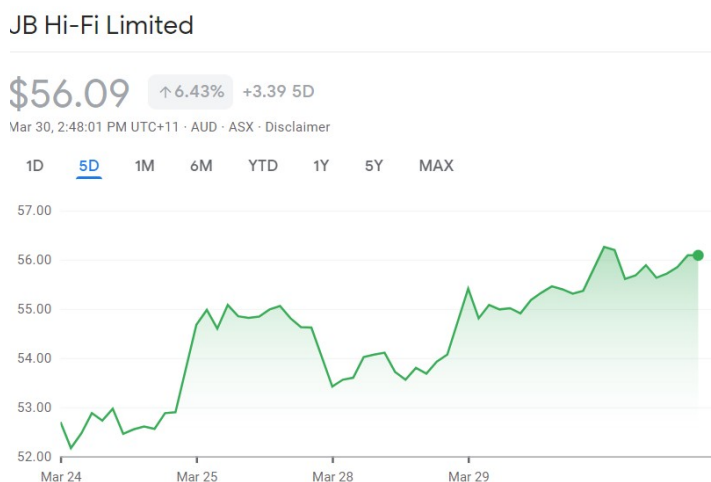
The Market Response

Usually in our newsletter we look at the month just passed and examine how the share market travelled. We will skip that this month, and look instead at the way the market responded to the Budget handed down on Tuesday night.

The share market, as measured by the ASX 200, had a subdued but positive response on Wednesday morning. Here is how it looked by mid-afternoon, thanks to Google and the ASX:



The boost to the market is almost certainly due to the fact that 6 million Australians will soon receive a cash payment of \$250. As this money will be given to Centrelink recipients, most of it will be spent rather than saved. We see this increased spending reflected in the market price of companies like JB HiFi, whose five day market performance has been outstanding:



The five day performance is relevant because the \$250 payment was actually announced prior to Budget night, as tends to be the way with these things. Harvey Norman did nicely as well, as you can see:



The Queen's Trees

To finish for the month, some light relief.

The Budget includes provision for just over \$20 million worth of new trees to be planted to commemorate the platinum jubilee of the Queen. (Remember, the Queen of England is also the Queen of Australia, although we saw one of her grandkids barracking for England when they played against Australia in the 2003 World Cup Rugby Final! We don't hold a grudge).

New trees are actually a great thing for the country. Not only do trees remove carbon from the atmosphere (wood is sometimes referred to as 'congealed carbon'), they also provide shade and cool our cities. Increasingly people are realising the impact of there being too few trees where people live. So, here's hoping that those new trees are planted where they are most needed. After all,

“Blessed is he who plants trees under whose shade he will never sit.”

Indian Proverb.

The Legal Stuff

General Advice Warning

The above information is general in nature and does not take into account your personal situation. You should consider whether the information is appropriate to your needs, and where necessary, seek professional advice from a financial adviser.

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