

Federal Budget October 2022-23 fact sheet

The first Federal Budget for the new Albanese Government contained limited changes for super but provided welcome measures aimed at boosting women's workforce participation and to address Australia's housing crisis.

Let's look at some of the key proposals that could affect your super and finances.

Right now these are proposals only and are yet to be made law.

For more details see the Budget overview at budget.gov.au

Changes to super

More people to be eligible to make downsizer contributions

The government will allow more people to make downsizer contributions to their superannuation by reducing the minimum eligibility age from 60 to 55 years of age.

The downsizer contribution allows people to make a one-off post-tax contribution to their super of up to \$300,000 per person from the proceeds of selling their home. Both members of a couple can contribute (meaning a couple could make a combined downsizer contribution of up to \$600,000) and contributions do not count towards non-concessional contribution caps.

This measure provides greater flexibility to contribute to super and aims to encourage older Australians to downsize sooner to a home that better suits their needs, increasing the availability of suitable housing for Australian families.

Incentivising people receiving the Age Pension to downsize

The government is extending the exemption of home sale proceeds from pension asset testing from 12 months to 24 months, and changing the income test. The government uses deeming, which is a set of rules used to work out the income created from someone's financial assets, to help decide eligibility for the Age Pension. The government will now apply only the lower deeming rate (0.25%) to principal home sale proceeds when calculating deemed income for 24 months after the sale of the principal home.

This will give pensioners more time to purchase, build or renovate a new home before their Commonwealth Age Pension entitlements are affected.

Incentivising pensioners to return to the workforce

The government will provide \$61.9 million over two years from 2022-23 to provide age and veterans pensioners a once-off credit of \$4,000 to their Work Bonus income bank.

Pensioners over Age Pension age accrue any unused part of the Work Bonus exemption amount in a Work Bonus income bank. The income bank amount offsets future income from work that would otherwise be assessable under the pension income test. The maximum Work Bonus income bank amount that could be accrued was \$7,800. The temporary income bank top up will increase the amount pensioners can earn in 2022-23 to \$11,800 before their pension is reduced, supporting pensioners who want to work or work more hours to do so without losing their pension.

From a super perspective, subject to age-based work tests, this measure will see more pensioners adding to their super balance through mandatory super guarantee (SG) payments when working, particularly since the \$450 earnings threshold was removed for workers aged 18 and over from 1 July 2022. Previously, workers needed to earn a minimum of \$450 in pre-tax income from one employer per month to be eligible for the SG.

Lifting the income threshold for the Commonwealth Seniors Health Card

The income threshold for the Commonwealth Seniors Health Card will increase and social security deeming rates will be frozen at their current level through to 30 June 2024. The change is intended to support older Australians who rely on income from deemed financial investments, as well as the pension, to deal with the rising cost of living.

The government will provide \$69.6 million over four years from 2022-23 to increase the income threshold for the Commonwealth Seniors Health Card from \$61,284 to \$90,000 for singles and from \$98,054 to \$144,000 (combined) for couples.

Measures designed to improve women's workforce participation

A more flexible and lengthier Paid Parental Leave Scheme

The government will introduce reforms from 1 July 2023 to make the Paid Parental Leave Scheme flexible for families so that either parent is able to claim the payment. Both birth parents and non-birth parents are allowed to receive the payment, if they meet the eligibility criteria.

Parents will also be able to claim weeks of the payment concurrently, enabling them to take leave at the same time. The government says greater flexibility will encourage better balance between paid work and caring responsibilities.

From 1 July 2024, the government will start expanding the scheme by two additional weeks a year until it reaches a full 26 weeks from 1 July 2026 (up from 18 weeks).

Both parents will be able to share the leave entitlement, with a proportion maintained on a "use it or lose it" basis, to encourage and facilitate both parents to access the scheme and to share the caring responsibilities more equally. The reforms also improve flexibility, with parents able to take leave in blocks as small as a day at a time, with periods of work in between. Sole parents will be able to access the full 26 weeks.

While we're pleased to see the government improving the Paid Parental Leave Scheme, we're disappointed to see that Paid Parental Leave remains the only commonly taken leave that super is not paid on. This is a key super equity reform HESTA continues to campaign for.

Read more about our campaign
hesta.com.au/super-on-paid-parental-leave



Plan for cheaper childcare

We welcome the government's plan to introduce a range of measures aimed at making childcare more accessible and affordable (particularly for First Nations people), making it easier for parents and carers to participate in paid work.

The measures include lifting the maximum Child Care Subsidy rates for families earning less than \$530,000 in household income with children in care, and introducing a base entitlement to 36 hours per fortnight of subsidised early childhood education and care for families with First Nations children, regardless of activity hours or income level.

The government estimates these reforms will increase the hours worked by women with young children by up to 1.4 million hours per week in 2023-24, equivalent to 37,000 full-time workers.

Other measures

Housing Accord

HESTA is pleased to support the Federal Government's Housing Accord that seeks to bring all levels of government, large investors like super funds and the residential construction and community housing sectors together to find ways to address Australia's lack of affordable and social housing.

We believe access to housing is vitally important for our members and the health and community sector that deals with so many of the social issues that flow on from a lack of appropriate, secure housing.

We welcome this Housing Accord as an important step towards removing long-term barriers to growing the supply of affordable and social housing.

HESTA is committed to participating in the accord and working collaboratively with all stakeholders to develop financing approaches that will encourage greater investment in social and affordable housing by creating opportunities that provide appropriate long-term returns for members. HESTA is working to develop approaches that allow us to invest more in this space while generating sustainable, long-term returns that create a positive impact.

Read more about HESTA's response to the Housing Accord hesta.com.au/media-centre



What we would have liked to see

As a strong advocate for super and pay equity over many years, we welcome the extension of the paid parental scheme. However, yet again the payment of super has been left off. The lack of superannuation payments on paid parental leave continues to perpetuate super inequity. Women, and those who raise children, continue to pay an unfair financial penalty through inadequate super balances, leaving too many vulnerable to poverty as they age.



Want to know more?

Find out more about the Federal Budget October 2022-23 announcements at budget.gov.au



Need advice?

Not sure what the proposed changes mean for you? Don't feel you need to work it all out alone – our Advice Team is ready to help.

Visit hesta.com.au/advice or call **1800 813 327**.

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