Perpetual

2024 Federal Budget: Easing pressures today and investing in a better future

By Perpetual Private insights

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In their own words, the Federal Government's 2024 budget is focussed on "Easing pressures today and investing in a better future."

You can read Perpetual Private's Federal Budget 2024 summary below, or view the video above for our take on cost-of-living measures and inflationary impacts, and considerations for superannuation and investment portfolios.

It is important to remember that this material relates to proposals which have not yet been legislated, and our analysis contained here should be viewed in that context. We recommend that you do not take any specific action until the government provides greater detail in relevant draft legislation.

Summary

In general terms, the budget aims to:

- ease cost-of-living pressures

- build more homes
- invest in a ‘Future Made in Australia’
- strengthen Medicare and the care economy.

Of these, the first and last points are the ones with the most immediate impact on individuals and families.

Cost-of-living relief

Stage 3 tax-cuts and Medicare levy low-income threshold

These are the much-debated Stage 3 tax cuts from the Morrison government that are already legislated. Under this legislation, from 1 July 2024, every Australian taxpayer will receive an income tax cut, and the Medicare levy low-income thresholds will rise for singles, families, seniors and pensioners.

What this means for you:

- if you’re an Australian tax resident you will pay less tax after 1 July 2024
- if you’re making catch-up concessional contributions or personal deductible contributions to your super, after 1 July 2024 you’ll need to review the amount you’re contributing and compare your effective tax rate with the super contributions tax of 15%.
- the increase in the Medicare levy threshold will mean that more people on lower incomes may become exempt from the Medicare levy entirely, or may pay a lower amount.

Energy bill relief

Recognising that rising power bills are putting many people under financial pressure, the budget includes a $300 energy rebate for all Australian households, and $325 rebates for about a million eligible small businesses.

What this means for you

All Australian households and eligible small business owners will receive the energy rebate.

The rebate will be applied automatically to your energy bill after July 1, and will apply in addition to any state or territory energy rebates you may already be receiving.

Taxation

Small business support

During the Covid-19 pandemic, the previous government introduced an ‘instant write-off’ scheme for small businesses. This scheme enabled businesses to claim a tax deduction for the full costs of assets they acquired during a financial year, instead of depreciating these costs over many years.

This budget proposes to extend this scheme for another year. Businesses with an aggregated annual turnover of less than $10 million can continue claiming up to $20,000 as a tax deduction from single or multiple assets acquired up to 30 June 2025.

What this means for you

If you run a small business you can claim a tax deduction of up to $20,000 from assets you acquire during FY2025.

Superannuation

Superannuation on paid parental leave

The government-funded paid parental leave scheme will continue, ensuring that parents receiving paid parental leave will also receive Superannuation Guarantee payments (12% of the paid parental leave rate) from 1 July 2025.

The current paid parental leave period of up to 20 weeks will continue to rise until it reaches 26 weeks by July 2026.

What this means for you

If you have a baby (or adopt one) after 1 July 2025 and you’re eligible for paid parental leave, the government will pay an extra 12% of your leave payment amounts into your superannuation fund.

These payments will be part of your relevant concessional contributions cap taxed at 15%. If you’re salary sacrificing or making extra superannuation contributions, you’ll need to include this amount in your total contributions to make sure you don’t exceed the cap, as any contribution amounts over the concessional contributions cap are taxed at your full marginal tax rate.

Social security

A higher JobSeeker Payment for people with a partial capacity to work

At the moment, people receiving the JobSeeker payment receive a higher amount if they are:

- an individual with one or more dependent children, or
- are 55 years or older and have been receiving income support for 9 continuous months.

They receive fortnightly payments of $816.90, while individuals without dependent children receive $762.70 per fortnight.

From 20 September 2024, the Government proposes to pay the higher rate to individuals without dependent children if they're able to work up to 14 hours per week.

What this means for you

If you're currently receiving JobSeeker payments, after 20 September 2024 you'll receive the higher rate of $816.90 per fortnight if:

- you're an individual without dependent children, and
- you're capable of working 0-14 hours per week.

Carer payment – increased flexibility

Under the current rules, a carer can work, volunteer, study or train for at most 25 hours per week (including travel times and mealtimes) without affecting their eligibility for a carer payment. They can also temporarily cease to provide constant care for up to 63 days in total in a calendar year.

If a carer exceeds the per-week limit, or stops providing care for more than 63 days, their carer payment is cancelled. If a carer exceeds the limit in one-off or irregular circumstances (such as occasionally needing to work more hours), they can choose to use one week of their 63 days to cover the full week and remain qualified for the carer payment.

In this budget, the government is proposing:

- to increase the 25 hours per week limit to 100 hours over four weeks, and remove studying, volunteering activities and travel times from this total, so the limit will only capture time spent working
- if a carer exceeds the participation limit, or stops providing care for more than 63 days, their payments will be suspended for up to 6 months instead of being cancelled

- if a carer exceeds the participation limit in irregular circumstances, instead of using a whole week of their 63 days, they will be able to use single days.

These changes would apply from 20 March 2025.

What this means for you

If you're receiving carer payments, these changes will give you more flexibility to work, study, or volunteer without risking losing your payments.

Education

HELP indexation

The HELP debt indexation cap rate will change to the lower of the Consumer Price Index (CPI) or the Wage Price Index (WPI). This change aims to prevent significant increases to the loan interest, such as the 7.1% increase of June 2023.

This change will be backdated to 1 June 2023, so last year's indexation of 7.1% will reduce to the WPI of 3.2% for 2023, and from 4.7% to 4% in 2024.

What this means for you

If you have HELP debt this means you'll be able to pay off your debt sooner. If you had fully paid off a HELP debt after 1 June 2023 you will get a refund.

Medicare and health system

The government is investing $8.5 billion in Medicare and other health measures, including cheaper medicines. Almost $3 billion of that is to strengthen Medicare, and includes $227 million for 29 urgent care clinics, and $3.4 billion in cheaper medicines.

What this means for you

This will reduce the cost of existing medicines, and new medicines added to the Pharmaceutical Benefits Scheme.

How will the Budget affect your financial situation?

Depending on your circumstances, this budget includes a number of changes that may affect your taxation, superannuation and investments. A Perpetual financial adviser can help you assess how this budget will affect you and your family.

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How will the Budget affect your financial situation?

A Perpetual financial adviser can help you assess how the Budget could affect you and your family.

Get in touch

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