

# Shuffling The Deck



**2022-23 Budget 2.0**  
**A Guide**

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# Shuffling the decks: 2022-23 Budget 2.0

There is nothing in this Budget that would create a UK style crisis. The stage 3 tax cuts legislated to commence on 1 July 2024 are not mentioned, and most funding initiatives appear to be a reallocation of previous Government initiatives. And, the commodity driven \$54.4 billion improvement in tax receipts has largely been banked, not spent.

With seven months before the 2023-24 Budget released in May 2023, this Budget is a shuffling of the deck not a new set of cards. And to continue the pun, we need to play the hand we have been dealt, buffeted by externalities – war, floods, and global uncertainty.

Cost of living pressures will continue. While some initiatives such as the increase to child care subsidies will help, the Budget flags some fairly bracing economic expectations:

- Inflation expected to peak at 7.75% in the December quarter and will persist at higher rates for longer than expected before easing to 3.5% by June 2024.
- Real GDP is forecast to grow to 3.25% in 2022-23 then retract to 1.5% in 2023-24.
- Electricity prices are expected to increase nationally by an average of 20% in late 2022, with retail electricity prices expected to rise by a further 30% in 2023-24.
- The deficit sits at \$36.9bn, while this is better than originally estimated, the deficit expands to \$49.5bn by 2025-26.

Tight labour market conditions are expected to see annual wage growth pick up to 3.75% by June 2023. Even so, high inflation is expected to see real wages fall over 2022-23 before rising slightly over 2023-24. That is, your wages might increase but the gains will be eaten away by the increasing cost of living.

The ATO gets an extra \$80m to extend its personal income tax compliance program, with \$674m anticipated in increased receipts and over \$80m in increased payments as a result. Tax deductions will be looked at closely.

As expected, multi-nationals are a target. New measures will limit opportunities to shift taxable profits offshore. And, the ATO's Tax Avoidance Taskforce is expected to deliver a whopping \$2.8bn in additional tax receipts and \$1.1bn in payments over the 4 year period.

If we can assist you to take advantage of any of the Budget measures, or to risk protect your position, please let us know.

As always, we're here if you need us!

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# The team

The Marsden Stantons team are available to assist you with any of the Budget measures or economic risks. We have a number of accountants who are available, and who may have assisted you already in the preparation and lodgement of your tax returns, financial statements, business activity statements and business advice. Heading the team are:



**Marissa Bennett** started with Marsden Stantons in 2000 and was admitted as a Partner in 2003. Marissa is a member of the Institute of Chartered Accountants and has a Double Major in Accounting and Finance from Edith Cowan University and also has a Masters in Taxation from the University of New South Wales.

Marissa is also a registered Self Managed Superannuation Fund Auditor.

Marissa has a real passion for people and using her deep tax knowledge to help clients to structure the business or project correctly and legally minimise the tax position.

Leveraging her experience, Marissa works closely with clients to get the most out of their business incorporating a strategic review of their KPI's and margins as well as proactive cash flow management. Marissa understands that positive cash flow is the life blood of a business and helps clients to successfully plan the optimum exit from their business via sale, transition or inter-generational transfer.

Marissa has a talent for working with listed entities and providing the Accounting, Tax and Company Secretarial support for those seeking to list and those that are established public companies.



**David Lennon** holds a Bachelor of Business (Edith Cowan University), is a Member of the Institute of Chartered Accountants in Australia, and is a registered SMSF auditor.

David began his accounting career at a mid tier firm in Perth in 1993, before travelling to London to work for some time, gaining valuable experience along the way. Returning to Perth, David spent 10 years as Business Services Manager with a mid tier firm and joined the Marsden Stantons team in early 2010, and becoming a partner in 2013.

David provides tax and business strategy advice to a wide range of clients in all types of industries, trades and professions and is committed to the sustainable development of client businesses

David is passionate about superannuation and has a deep knowledge in this specialist area and enjoys finding solutions which deliver outstanding results for clients in their accumulation and pension phases.

# Individuals & families

## Child Care Subsidy increase

<b>From</b>	2022-23
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As previously announced, the maximum Child Care Subsidy (CCS) rate will increase from 85% to 90% for families earning less than \$80,000. Subsidy rates will then taper down one percentage point for each additional \$5,000 in income until it reaches zero per cent for families earning \$530,000.

The current higher CCS rates for families with multiple children aged 5 or under in child care will be maintained, with higher CCS rates to cease 26 weeks after the older child's last session of care, or when the child turns 6 years old.

In addition, from 2022-23, a base entitlement to 36 hours per fortnight of subsidised early childhood education and care will be implemented for families with First Nations children, regardless of activity hours or income level.

The CCS increase also comes with a renewed focus on industry compliance requiring large providers to publicly report CCS related revenue and profits. In addition, the way the Child Care Subsidy is managed will change, requiring the electronic payment of early childhood education and care gap fees to weed out fraudulent claims for care not received.

### Resources

- [Fact sheet](#)

## Paid parental leave reforms

<b>From</b>	1 July 2023 1 July 2024
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As previously announced, from 1 July 2023 the Government will introduce reforms to make the Paid Parental Leave Scheme flexible for families so that either parent is able to claim the payment and 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 so they can take leave at the same time.

Eligibility will also be expanded with the introduction of a \$350,000 family income test, which families can be assessed under if they do not meet the individual income test.

From 1 July 2024, the Government will begin expanding the scheme from the current 18 weeks by two additional weeks a year until it reaches a full 26 weeks from 1 July 2026.

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. Sole parents will be able to access the full 26 weeks.

### Resources

- [Fact sheet](#)

## Encouraging pensioners back into the workforce

From	2022-23
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Age and veterans pensioners will be able to work and earn more before their pension is reduced. The Government is providing a one-off \$4,000 credit to their **Work Bonus** income bank.

The temporary income bank top-up will increase the amount pensioners can earn in 2022–23 from \$7,800 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.

The Work Bonus increases the amount an eligible pensioner can earn from work before it affects their pension rate. Under the current rules, the first \$300 of fortnightly income from work is not assessed and is not counted under the pension income test. The Work Bonus operates in addition to the pension income test free area.

When the work bonus is not used in a fortnight it accumulates in an income bank where the standard maximum is \$7,800. This allows pensioners who work on an ad hoc basis to not be disadvantaged compared to those with regular fortnightly income.

## Aged care reform

As previously announced, \$2.5bn will be provided over 4 years to improve the quality of aged care in residential aged care facilities by requiring all facilities to have a registered nurse onsite 24 hours per day, 7 days a week from 1 July 2023 and increasing care minutes to 215 minutes per resident per day from 1 October 2024.

The reforms also enable the Government to cap charges that approved providers of home care

(home care providers) may charge care recipients and removes the ability of home care providers to charge exit amounts.

## Additional funding for floods and natural disasters

An additional \$51.5m has been provided to support communities impacted by natural disasters through the Australian Government Disaster Recovery Payments (AGDRP), Disaster Recovery Allowance (DRA) and other payments made under the Disaster Recovery Funding Arrangements.

## Lifting the income limit on Seniors Health Card

As previously announced, the income test limits will be increased for access to the Commonwealth Seniors Health Card (CSHC). The CSHC provides subsidised pharmaceuticals and other medical benefits for self-funded retirees that have reached aged pension age.

The income test captures adjusted taxable income plus deeming on account-based pensions unless grandfathered under the pre-1 July 2015 rules. The CSHC is not asset tested.

	Current (\$ per annum)	New (\$ per annum)
Single	\$61,284	\$90,000
Couples combined	\$98,054	\$144,000

Legislation enabling the increase is before Parliament.

The Government will also freeze social security deeming rates at their current levels for a further two years until 30 June 2024.

## Income support asset test extended on proceeds of sale of main residence

As previously announced, the Government is:

- Extending the assets test exemption for principal home sale proceeds from 12 months to 24 months for income support recipients, and
- Changing the income test, to 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.

The exemptions apply until the income support recipient acquires another main residence or the 24-month period expires. The Bill enabling the extension is currently before Parliament.

## Total and permanent incapacity payments to veterans

<b>From</b>	2022-23
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The Special Rate of Disability Compensation Payment, Temporary Special Rate Payment, and the Special Rate Disability Pension for veterans will increase by \$1,000 per year.

## Community batteries for household solar

<b>From</b>	2022-23
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The Government will provide \$224.3m over 4 years from 2022-23 to deploy 400 community batteries across Australia.

A related solar initiative will see an additional \$102m committed to establish a Community Solar Banks program for the deployment of community-scale solar and clean energy technologies. This initiative is aimed at regional

communities, social housing, apartments, rental accommodation, and households that are traditionally unable to access rooftop solar.

# Superannuation & investors

## Change to taxation of off-market share buy-backs by listed companies

<b>From</b>	7:30pm AEDT, 25 October 2022
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From Budget night, 7:30pm AEDT, 25 October 2022, the Government intends to align the tax treatment of off-market share buy-backs undertaken by listed public companies with the treatment of on-market buy-backs. The result is expected to deliver a saving of \$550m.

An on-market buy-back is when a listed company buys its shares back on the stock exchange. All other buy-backs are treated as off-market buy-backs.

Under the current rules, when a company undertakes an off-market buy-back it is necessary to consider which portion of the proceeds is taxed as a dividend and which portion is taxed under the CGT rules. Franking credits can potentially be attached to the dividend component.

On the other hand, when a listed company undertakes an on-market buy-back the full proceeds are generally taxed under the CGT rules and franking credits cannot be passed onto the shareholders.

Off-market buy-backs potentially offer a tax advantage to low-taxed shareholders such as superannuation funds. It appears that the



Government has become concerned that the difference in the tax treatment between on-market and off-market buy-backs has been exploited inappropriately.

The Budget measure only refers to listed public companies which presumably means that the current tax treatment for off-market buy-backs undertaken by private companies and public companies that are not listed will continue to apply.

While this measure is yet to be legislated, with a Budget night implementation date, this could have an immediate tax impact on the treatment of new off-market share buy-backs.

## ‘Downsizer’ eligibility reduced to 55

<b>From</b>	First quarter after Royal Assent
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As previously announced, the Government will reduce the age an individual can make a ‘downsizer’ contribution to superannuation from the current 60 years to 55 years of age.

Currently, eligible individuals aged 60 years or older can choose to make a ‘downsizer contribution’ into their superannuation of up to \$300,000 per person (\$600,000 per couple) from the proceeds of selling their home.

Downsizer contributions can be made from the sale of your principal residence in Australia that you have owned for the past ten or more years. These contributions are excluded from the age test, work test, and your total superannuation balance (but not exempt from your transfer balance cap).

Legislation enabling the expanding eligibility for downsizer contributions is currently before Parliament.

## Delayed Relaxation of SMSF residency requirements

The 2021-22 Budget announced that the residency rules for Self-Managed Superannuation Funds (SMSFs) and small APRA regulated funds (SAFs) will be relaxed by extending the central control and management test safe harbour from two to five years for SMSFs, and removing the active member test for both fund types.

This measure was due to commence from 1 July 2022. The Government has announced that it will defer the start date to the income year commencing on or after the date of Royal Assent of the enabling legislation.

## Scrapped 3 year SMSF audit requirement

Back in the 2018-19 Budget the Government announced that SMSFs with a history of good record-keeping and compliance – that is, three consecutive years of clear audit reports and annual returns lodged on time, will only be required to have their fund audited every three years.

The Government has now officially announced that this measure will not be proceeding.

## Cryptocurrency not a foreign currency

As previously flagged, the Government will legislate to clarify that digital currencies such as Bitcoin will continue to be excluded from the Australian income tax treatment of foreign currency. The exclusion does not apply to digital currencies issued by, or under the authority of, a government agency, which continue to be taxed as foreign currency.

#### Resources

- Treasury [Clarifying crypto not taxed as a foreign currency](#)
- Media Release [Crypto not taxed as foreign currency](#)

## Business & employers

### Removed Self-assessment of intangible assets

Announced in the 2021-22 Budget and due to commence on 1 July 2023, the measure enabling taxpayers to self-assess the effective life of certain intangible assets, rather than being required to use the effective life currently prescribed by statute, has been removed.

The measure was to apply to assets acquired from 1 July 2023 including patents, registered designs, copyrights and in-house software.

### Dramatic jump in penalties for competition and consumer law breaches

From	2022-23 financial year
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From the 2022-23 year, the penalties for a corporation breaching competition and consumer laws will increase sharply from a maximum of \$10m to a maximum of \$50m per breach, and from 10% of annual turnover to 30% of turnover (whichever is greater) during the period the breach took place.

### Energy efficiency grants for SMEs

From	2022-23 financial year
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The Government will provide \$62.6m over 3 years from 2022-23 to help small and medium business fund energy efficient equipment upgrades. The funding will support studies, planning, equipment and facility upgrade projects that will improve energy efficiency, reduce emissions or improve the management of power demand. No details of the grants are currently available.

### Delayed Ridesharing reporting requirements

In the 2019-20 Mid Year Economic and Fiscal Outlook (MYEFO), new reporting measures were announced requiring sharing economy online platforms to report identification and income information on participating sellers to the ATO for data matching purposes. These measures have now been delayed from:

- 1 July 2022 to 1 July 2023 for transactions relating to the supply of ride sourcing and short-term accommodation, and
- 1 July 2023 to 1 July 2024 for all other reportable transactions (including but not limited to asset sharing, food delivery and tasking-based services).

### Thin cap rules introduce earnings based test

From	1 July 2023
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The thin capitalisation rules, which can potentially limit the amount that can be claimed for debt deductions such as interest, will be amended. The Government will replace the current safe harbour and worldwide gearing tests with earnings-based tests to limit debt deductions in line with an entity's profits.

Applying to multinational entities operating in Australia and any inward or outward investor, in line with the existing thin capitalisation regime, the measures will:

- Limit an entity's debt-related deductions to 30 per cent of profits (using EBITDA as the measure of profit). This new earnings-based test will replace the safe harbour test.
- Allow deductions denied under the entity-level EBITDA test (interest expense amounts exceeding the 3% EBITDA ratio) to be carried forward and claimed in a subsequent income year (up to 15 years).
- Allow an entity in a group to claim debt-related deductions up to the level of the worldwide group's net interest expense as a share of earnings (which may exceed the 30% EBITDA ratio). This new earnings-based group ratio will replace the worldwide gearing ratio.
- Retain an arm's length debt test as a substitute test which will apply only to an entity's external (third party) debt, disallowing deductions for related party debt under this test.

Financial entities will continue to be subject to the existing thin capitalisation rules.

The current thin capitalisation regime limits debt deductions up to the maximum of three different tests:

- A safe harbour (debt to asset ratio) test;
- An arm's length debt test; and
- A worldwide gearing (debt to equity ratio) test.

## Companies to declare their subsidiaries

<b>From</b>	1 July 2023
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New reporting requirements from 1 July 2023 will require:

- Australian public companies (listed and unlisted) to disclose information on the number of subsidiaries and their country of tax domicile;
- Tenderers for Australian Government contracts worth more than \$200,000 to disclose their country of tax domicile (by supplying their ultimate head entity's country of tax residence); and
- Large multinationals, defined as significant global entities, to prepare for public release of certain tax information on a country by country (CbC) basis and a statement on their approach to taxation, for disclosure by the ATO.

## Global entities denied deductions for intangibles

<b>From</b>	Payment made on or after 1 July 2023
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Significant global entities (at least \$1bn global revenue) will no longer be able to claim a tax deduction for payments made, directly or indirectly, to related parties for intangibles held in low or no tax jurisdictions. This could include royalties paid for the use of trademarks and other intellectual property items.

A low or no tax jurisdiction is one with:

- A tax rate of less than 15%, or
- A tax preferential patent box regime without significant substance.

The measure is anticipated to apply to payments made on or after 1 July 2023.

This measure could impact on Australian entities that are subsidiaries of a foreign parent entity where the global revenue of the consolidated group for accounting purposes is \$1bn or more.

## Government & regulators

### ATO targets in sharp focus

#### Personal income tax deductions and incorrect reporting

The ATO will receive an additional \$80.3 to crackdown on non-compliance including:

- Overclaiming deductions; and
- Incorrect reporting of income

The spend is expected to increase tax receipts by \$674.4m and payment by \$80.3m over 4 years.

#### Cash payments and tax evasion by business

The 'shadow economy', cash-in-hand payments including underpayment of wages, visa fraud, and other nefarious activity that deprives the economy of the income from tax receipts, will come under scrutiny with the extension of the ATO's Shadow Economy Program for a further 3 years from 1 July 2023. Over this period, the program is estimated to increase tax receipts by \$2.1bn and payments by \$685.2m over the 4 years from 2022-23.

#### Multinational business and the Tax Avoidance Taskforce

The ATO's Tax Avoidance Taskforce will receive an additional \$200m over 4 years from 1 July 2022 primarily to pursue multinational enterprises and large public and private businesses. This taskforce is expected to deliver a whopping \$2.8bn in additional tax receipts and \$1.1bn in payments over the 4 year period.

### \$3.6bn cut from external labour, advertising, travel and legal expenses

The Government has committed to saving \$3.6bn by cutting what it spends on external labour, advertising, travel and legal expenses.

## Other

### Working with our Pacific Neighbours

Australia's relationship in the Pacific has come into sharp focus of late. The Budget implements a series of initiatives to support development and labour mobility in the region:

- Additional infrastructure investment of \$500m over 10 years in the Pacific and Timor-Leste will be provided through the Australian Infrastructure Financing Facility for the Pacific including an additional \$50m for the establishment of a Pacific Climate Infrastructure Financing Partnership Facility.
- As previously announced, the Pacific Australia Labour Mobility scheme will be expanded to improve the benefits of the program for employers and workers including:
  - underwriting employers' investment in upfront travel costs for seasonal workers by covering costs that cannot be recouped from workers
  - improvements to workplace standards for PALM visa holders, including increased workplace compliance activities
  - allowing primary visa holders on long-term placements to bring partners and children to Australia, where sponsored by employers, with additional social support including providing relevant minimum family

- assistance payments, with an initial rollout of 200 families
  - the expansion of the existing aged care skills pilot programs for aged care workers.
- A new Pacific Engagement Visa for nationals of Pacific Island countries and Timor-Leste. Up to 3,000 additional places will be made available in addition to those provided through the existing permanent Migration Program.

## Electric vehicle and hydrogen refuelling

As part of its Driving the Nation Fund, the Government will commit:

- \$146.1m over 5 years from 2023-24 for the Australian Renewable Energy Agency to co-invest in projects to reduce emissions from Australia's road transport sector
- \$89.5m over 6 years from 2022-23 for the Hydrogen Highways initiative to fund the creation of hydrogen refuelling stations on Australia's busiest freight routes, in partnership with states and territories, including \$5.5m to LINE Hydrogen Pty Ltd for its George Town green hydrogen heavy transport project
- \$39.8m over 5 years from 2022-23 to establish a National Electric Vehicle Charging Network to deliver 117 fast charging stations on highways across Australia, in partnership with the NRMA.

## Broadband & mobile improvements for regional Australia

Almost \$758m will be spent improving mobile and broadband connectivity in rural and regional Australia.

## Foreign investment review board fees increase

The Government has increased foreign investment fees and will increase financial penalties for breaches that relate to residential land. Fees doubled on 29 July 2022 for all applications made under the foreign investment framework. The maximum financial penalties that can be applied for breaches in relation to residential land will also double on 1 January 2023.

## Community sector organisations funding boost

An additional \$560m over 4 years will be provided to community sector organisations (\$140m pa). 46% of the funding will come from the Department of Social Services and around 34% to the National Indigenous Australians Agency.

## Extension of Tariffs on Russian goods

The Government has extended the temporary additional tariff on goods imported from Russia and Belarus until 24 October 2023. The additional 35% tariff applies to goods that are the produce or manufacture of Russia and Belarus shipped to Australia on or after 25 April 2022.

Note that Ukrainian goods have previously been exempted from import duty for 12 months until 4 July 2022.

## Infrastructure projects

The Budget has reallocated infrastructure projects, “reprofiling” \$6.5bn in funding for existing projects. An additional \$8.1bn over the next 10 years has been earmarked for priority projects including:

### ACT

- \$85.9m for the Canberra Light Rail Stage 2A project

### New South Wales

- \$1.4bn including \$500m for planning, corridor acquisition and early works for the Sydney to Newcastle High Speed Rail, \$268.8m for the New England Highway - Muswellbrook Bypass and \$110m for the Epping Bridge

### Northern Territory

- \$550m including \$350m to seal the Tanami Road and Central Arnhem Road

### Queensland

- \$2.1bn including \$866.4m for the Bruce Highway, \$400.0m for the Inland Freight Route (Mungindi to Charters Towers) upgrades, \$400.0m for Beef Corridors and \$210.0m for the Kuranda Range Road upgrade

### South Australia

- \$460m including \$400m for the South Australian component of the Freight Highway Upgrade Program.

### Tasmania

- \$78m for projects in Tasmania, including \$48.0 million for the Tasmanian Roads Package

### Victoria

- \$2.6bn including \$2.2bn for the Suburban Rail Loop East

### Western Australia

- \$634.8m including \$400.0 million for the Alice Springs to Halls Creek Corridor upgrade and \$125m for electric bus charging infrastructure in Perth

### National

- \$18m to establish the High Speed Rail Authority to plan, develop, coordinate, oversee and monitor the construction and operation of the high speed rail network.

## The economy

The Government appear keenly aware of the economic balancing act taking place, keeping the budget predominantly to election promises and redirecting existing initiatives to avoid exacerbating inflationary pressures. As the Treasurer said “Australians know this is a time of great challenge and change.”

The global economic environment has sharply deteriorated. Inflation has risen rapidly across advanced economies. The Russian invasion of Ukraine has significantly driven up global energy costs and exacerbated the impact of poor weather on global food prices. All of this impacts on Australia. Here are the highlights:

**GDP** – Real GDP is forecast to grow by 3¼ per cent in 2022-23 before slowing to 1½ per cent in 2023-24, as cost of living pressures and rising interest rates increasingly weigh on household disposable income and consumption.

The Government warn that with the highly uncertain global economic outlook, there are significant risks that could cause a sharper slowdown in domestic activity. Globally, key risks include a ‘hard landing’ or recession across major advanced economies, a sharper-than-expected downturn in China due to COVID-19 outbreaks and the property market downturn, a

sudden tightening in financial market conditions and further energy price shocks stemming from the Russian invasion of Ukraine, which could drive inflation even higher.

And domestically, the full impact of recent floods is highly uncertain as the situation continues to develop.

**Inflation** – forecast to peak at 7¾ per cent in the December quarter of 2022. Supply disruptions have resulted in large price increases in home building, fuel and energy. Food prices remain elevated and have been further exacerbated by recent floods. Some of these pressures are expected to persist into 2023. Inflation is expected to remain elevated at 5¾ per cent over 2022-23 and 3½ per cent over 2023–24 before gradually easing and returning to within the Reserve Bank’s inflation target by 2024-25.

**Deficit** – lower the originally estimated at \$36.9bn. However, the deficit is expected to climb to over \$51bn by 2024-25 with the impact of higher inflation on indexed payments for services, the NDIS in particular.

**Gross debt** – is close to one trillion dollars and is at the highest level as a share of GDP in over 70 years.

**Tax receipts** - revised up by \$54.4bn in 2022-23 and \$142.0 billion over the 4 years to 2025-26.

**Unemployment and wages growth** - labour market conditions are expected to remain tight. The unemployment rate is forecast to rise to 4½ per cent by the June quarter of 2024. Tight labour market conditions are expected to see annual wage growth pick up to 3¾ per cent by June 2023. However, high inflation is expected to see real wages fall over 2022-23 before rising slightly over 2023-24.

**Energy** - Electricity and gas prices are expected to rise sharply over the next 2 years, as the cost

of energy market disruptions are passed through to households. Treasury has assumed retail electricity prices will increase by an average of 20% nationally in late 2022. Retail electricity prices are expected to rise by a further 30% in 2023-24.

Domestic gas prices remain more than double their average prior to Russia’s invasion of Ukraine. Retail prices are expected to increase by up to 20% in 2022-23 and 2023-24.