



Highlights from this year’s Federal Budget include the relaxing of superannuation contribution rules, an extension of tax savings for individuals and small business and a \$17.7 billion boost to aged care spending.

Important note: The measures outlined below are proposals only until legislated and are subject to change.

Summary

Superannuation	Tax	Social Security	Aged Care
<ul style="list-style-type: none"> • Work test removed for those 67-74 making non-concessional and salary sacrifice contributions • Expanding bring forward rules to 67-74 year olds • Downsizer contribution age reduced to 60 • Removal of minimum Super Guarantee threshold • More super available for first home buyers • Chance to exit some legacy retirement products 	<ul style="list-style-type: none"> • Low and middle income tax offset retained • Extension of 100% asset write-off for businesses • Additional year for companies to carry back losses to apply against past profits • Tax residency test simplified • Freeze on Medicare surcharge and private health rebate thresholds 	<ul style="list-style-type: none"> • Pension loan scheme to allow lump sum payments • More child care support for families with higher incomes and multiple children 	<ul style="list-style-type: none"> • \$17.7 billion additional spending over 4 years • 80,000 new homecare packages • No new fees announced for aged care residents

Superannuation

The Government has announced a range of measures this year relating to superannuation. The commencement date for these changes is 1 July of the year after the proposals have become law with the likely **start date to be 1 July 2022**.

Removal of the work test for some contributions

Currently, if you wish to make a personal contribution to super from age 67 to 74, you must meet a work test (or qualify

for the work test exemption) before the contribution can be made. The work test requirement will no longer apply for this age group when making:

- Salary sacrifice contributions
- Non-concessional (after tax) contributions

The requirement to satisfy a work test will continue to apply to those 67-74 who make personal contributions and claim a tax deduction.

Expanding non-concessional contribution bring forward rule

The ability to access the bring forward arrangements for non-concessional contributions where up to \$330,000(2021-22) can be contributed will extend to those 67-74 years of age (currently available to those under 65).

\$450 per month super guarantee threshold abolished

Employers will be required to pay super guarantee contributions to all employees over age 18 irrespective of how much they earn in the month.

CASE STUDY

Freya has two casual jobs earning about \$400 per month from each. Currently, she receives no super support from her employers as she earns less than \$450 per month per employer however this measure will require both employers to start contributing to super on Freya's behalf – that's nearly \$1,000 per year in super.

Downsizer contributions available from age 60

The ability to make a downsizer contribution to super when selling your home will extend to those 60 years and over (currently must be 65+) allowing many more to take advantage of an extra \$300,000 per person to be invested in super.

Combining this measure with the non-concessional bring forward rules outlined above, those aged 60 to 74 and selling a home will have the opportunity to contribute up to \$630,000 per person (or \$1.26 million as a couple) into super without exceeding any caps.

First home super saver scheme boost

The amount of voluntary super contributions that can be withdrawn to help purchase your first home will increase from \$30,000 to \$50,000. The annual contribution limit for this scheme will remain at \$15,000.

Two year window to exit some legacy retirement products

Those looking to commute their restrictive legacy retirement products that were purchased before 20 September 2007 (often referred to as 'complying' products) will have the opportunity to roll back these funds to super, commence a new income stream or withdraw the funds from super altogether. The types of products impacted under this measure include term allocated pensions (TAPs), market-linked, life expectancy and lifetime income streams including those provided by self-managed super funds (SMSFs).

Super announcements NOT included in the budget

The two standout measures that were not addressed in the budget and will therefore proceed as legislated include:

- The compulsory super guarantee contribution rate will increase from 9.5% to 10% from 1 July 2021.
- The temporary 50% reduction in minimum pension payments will cease from 1 July 2021 with minimum payments returning to standard rates as outlined below.

Age	Standard minimum rate (%)
Under 65	4
65-74	5
75-79	6
80-84	7
85-89	9
90-94	11
95 or over	14

Tax

Low and middle income tax offset (LMITO) to stay for another year

The LMITO, which provides a tax offset of up to \$1,080, was due to cease on 30 June 2021. This tax benefit will now be extended until 30 June 2022. The offset is automatically calculated when you lodge your income tax return.

Tax residency rules simplified

Currently, four (often conflicting) tests are used to determine if you are an Australian tax resident for income tax purposes. The Government has proposed to simplify this system by applying one primary test - an Australian tax resident is someone who has physically been in Australia for at least 183 days in the financial year. Additional secondary tests may be used for those who do not meet the primary test.

Small business tax concessions extended 12 months

Businesses will continue to benefit from two significant concessions announced last year as follows:

- Eligible businesses with annual turnover less than \$5 billion will be able to deduct the full cost of depreciable assets first used or installed before 30 June 2023.
- Eligible companies can carry back losses for another year being the 2022-23 year to offset against profits in 2018-19 or later years.

Freeze on Medicare surcharge and private health insurance thresholds

The single and family thresholds used to determine if the Medicare Levy surcharge is payable and the private health insurance rebate available, will remain at current levels for 2021-22.

Social security and aged care

Pension loan scheme to offer lump sums

The pension loan scheme is a reverse mortgage style scheme provided by the Government to allow you to receive fortnightly payments using the equity in your home. The regular instalments are limited to 150% of the maximum rate of Age Pension.

From 1 July 2022, it has been proposed to extend this scheme to allow up to 50% of the maximum annual rate of pension to be received as a lump sum (limited to two lump sum payments in 12 months). The maximum lump sum payments based on current pension rates will be:

- \$12,385 for singles
- \$18,670 combined for couples

Boost in aged care funding

A range of aged care measures were announced with the Government projected to spend \$17.7 billion over the next four years. A further 80,000 homecare packages will become available to help reduce the current waiting list for care packages (estimated to be approximately 96,000). The Government will pay an additional \$10 per day Basic Daily Fee Supplement for every resident in residential aged care, paid directly to the aged care provider. No new resident fees were announced in this budget.

Important Information

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