



2021/22 Federal Budget Analysis

May 11 2021

This year's Federal Budget covers a range of measures including superannuation, tax and support for home buyers.

Note: These changes are proposals only and may or may not be made law.

Summary

More flexibility around super

- **Repeal of the work test:** Currently, Australians aged 67 – 74 must satisfy a work test (or the work test exemption) to be eligible to make super contributions. The work test will no longer apply when making non-concessional super contributions or salary sacrificed contributions. People in this age group will also be able to access the non-concessional bring forward arrangement, subject to meeting the relevant eligibility criteria.
- **Downsizer contributions age reduced:** The age at which people are eligible to make a downsizer contribution will reduce from 65 to 60. This will allow an after-tax contribution of up to \$300,000 per person when they sell their family home.
- **Removal of minimum income threshold for super guarantee:** The Budget removes the current \$450 per month minimum income threshold under which employees do not have Superannuation Guarantee (SG) paid by their employer. The Government says that around 300,000 individuals will receive additional SG payments, 63% of whom are women.
- **Access to lump sums under Pension Loan Scheme (PLS):** The PLS is a voluntary, reverse mortgage type loan provided by the Government. It is designed to assist older Australians to boost their retirement income by unlocking equity in their Australian property. Through the PLS, people can receive regular fortnightly payments with the payments accruing as a debt secured against their property.

A new option is to receive up to two lump sums of up to 50% of the Age Pension in a 12-month period. The maximum lump sum amount will depend on whether the individual is single or a member of a couple.

- **Legacy retirement product conversions:** Consumers will be provided with a temporary option to transition from some legacy retirement products including to more flexible retirement products. Currently, individuals are locked into certain products that restrict access to capital and flexibility of drawdowns.

Products covered include market-linked and life-expectancy retirement products commenced prior to 20 September 2007 from any provider, including self-managed superannuation funds (SMSFs), and lifetime products from SMSFs.

A two-year period will be provided for these retirement products and expected to commence from 1 July 2022. Individuals would need to consider social security consequences and any income tax cost.

2021/22 Federal Budget Analysis

11 May 2021

Home ownership proposals

- **First Home Super Saver Scheme (FHSSS):** The FHSSS, which was introduced in the 2017/18 Budget, allows people to save money for their first home inside their super. The Government will increase the maximum amount of voluntary contributions that can be released under the FHSSS from \$30,000 to \$50,000.
- **Family Home Guarantee for single parents:** The Government has introduced the Family Home Guarantee as a way of providing a pathway to home ownership to support single parents with dependants. This is regardless of whether they are a first home buyer or a previous owner-occupier.
From 1 July 2021, 10,000 guarantees will be made available over four years to eligible single parents with a deposit of as little as 2%, subject to an individual's ability to service a loan.
- **New Home Guarantee:** The Government is providing a further 10,000 places under the New Home Guarantee in 2021/22. This is specifically for first home buyers seeking to build a new home or purchase a newly built home with a deposit of as little as 5%.

Personal tax relief

- **Extension of tax offset:** The Low and Middle-Income Tax Offset (LMITO), worth up to \$1,080, has been extended for an additional 12 months to cover the 2021/22 financial year. LMITO will be received once individuals lodge their tax return for the 2021/22 financial year.

Business tax incentives extended

- **Temporary full expensing:** The temporary investment tax incentive announced in last year's Budget has been extended for a further 12 months until 30 June 2023 giving businesses additional time to utilise the incentive and including for projects requiring longer planning times. Businesses with a turnover up to \$5 billion will be able to deduct the full cost of any eligible asset they purchase for their business, including the cost of improvements to existing assets, until 30 June 2023.
- **Temporary loss carry-back provision:** Companies will now be permitted to carry back tax losses for an extra 12 months from the 2019/20, 2020/21, 2021/22, and now 2022/23 income years to offset previously taxed profits in 2018/19 or later income years. This too applies to businesses with an aggregated turnover of less than \$5 billion.

Aged care

- **Response to the Royal Commission into Aged Care Quality and Safety:** The Government announced an additional \$17.7 billion over five years for aged care. Some of the proposals include:
 - 80,000 additional Home Care Packages over the next two years
 - introducing a new star rating to allow Aged Care recipients and their families to compare Aged Care providers on performance, quality and safety
 - implementing a new funding model
 - increasing the Government's Basic Daily Fee supplement by \$10 per day per resident, and
 - from early 2022, informal carers and older Australians will benefit from increased funding to improve access to respite care and support through the Government's Carer Gateway.

2021/22 Federal Budget Analysis

11 May 2021

Any questions?

If you have any questions, please speak with your financial adviser or call us on **132 652** between 8 am and 6 pm (AEST), Monday to Friday.

Important information and disclaimer

Sources:

Budget 2021–22 Budget Overview, *Based on Commonwealth of Australia data*, https://budget.gov.au/2021-22/content/download/glossy_overview.pdf, 11 May 2021.

Budget 2021-22, *Based on Commonwealth of Australia data*, <https://budget.gov.au/2021-22/content/essentials.htm#eight>, 11 May 2021.

This communication has been prepared by the MLC Technical Team, a division of GWM Adviser Services Limited (ABN 96 002 071 749, ASFL 230692) ('GWMAS'), registered office 105–153 Miller Street, North Sydney 2060, a member of the National Australia Bank Limited ('NAB') group of companies ('NAB Group'), for use and distribution by Representatives and/or Authorised Representatives of GWMAS, Godfrey Pembroke Limited, Apogee Financial Planning Limited, Meritum Financial Group Pty Ltd and Australian Financial Services Licensees with whom GWMAS has a commercial services agreement. **NAB does not guarantee or otherwise accept any liability with respect to the services provided by GWMAS or any other member of the NAB Group.**

Any advice provided in this communication is of a general nature only. It may not be suitable for you as it does not take into account your personal objectives, financial situation or needs. Please seek personal advice before making a decision about a financial product or acting on any advice in this communication. Any tax information provided in this publication is intended as a guide only and is based on our general understanding of taxation laws. It is not intended to be a substitute for specialised taxation advice or a complete assessment of your liabilities, obligations or claim entitlements that arise, or could arise, under taxation law. We recommend you consult with a registered tax agent. Reliance should not be placed by anyone on this document as the basis for making any investment, financial or other decision.

Information in this communication is current as at 11 May 2021 and may be subject to change. Opinions constitute our judgement at the time of issue. In some cases information has been provided to us by third parties. While the information in this communication is believed to be accurate and reliable, its accuracy is not guaranteed in any way. Subject to terms implied by law and which cannot be excluded, neither GWMAS nor any member of the NAB Group nor their agents, employees or directors accept responsibility for any loss or liability incurred by you in respect of any error, omission or misrepresentation in the information in this communication.

This communication may contain links to third party websites for your information and convenience. The operators of these third party sites are not affiliated with GWMAS or any member of the NAB Group, and neither GWMAS nor any member of the NAB Group is responsible for the content of these sites.