

FEDERAL BUDGET 2021-2022.

Superannuation and Financial Planning Summary

Last night Treasurer Josh Frydenberg announced his third budget where he continued his push to drive the jobless rate below 5%. Thanks to record commodity prices, income tax receipts and the rebounding share market and business sectors, the budget deficit will be slashed by \$53 billion this year to \$161 billion.

As the government is able to borrow at 0.88% p.a. there is no sign of getting back in the black, with the net debt forecast to increase from \$617.5 billion during 2020-21 to \$980.6 billion by 2024-25.

Here's our snapshot of the major Federal Budget proposals for superannuation and financial planning:

Superannuation

A big win for retirees is the proposal to remove the work test from 1 July 2022 for non-concessional and salary sacrifice contributions. The work test requires those from aged 67 to 74 to be gainfully employed for 40 hours in a 30 day period prior to the superannuation contribution. While the government has flirted with the removal of the work test before, it had remained unsuccessful. We will hope this time the removal is achieved. The work test will still be required for personal deductible contributions.

Also from 1 July 2022, the budget announced that the eligibility age of the 'too good to be true' \$300,000 downsizer contribution scheme, which started on 1 July 2018, will drop from age 65 down to age 60. This will further encourage people to sell homes that they have held for at least 10 years to assist with the supply side of the housing equation.

There is also a big win for SMSF trustees from 1 July 2022, with the proposal to make it easier to maintain the funds complying status when members move overseas. The budget proposed the extension of the central management and control test from 2 to 5 years and the removal of the active member test. Removing the active member test will mean members and trustees who are temporarily overseas can continue to make contributions to their SMSF without jeopardising the funds complying status.

Additionally, from 1 July 2022, the \$450 per month minimum superannuation guarantee income threshold will be removed so more employees will receive the mandatory superannuation contributions from their employer.

Individual tax cuts

The low and middle-income earners offset, which was due to expire, will continue into the 2021-22 financial year to provide an end of year offset of up to \$1,080 for singles and \$2,160 for couples. Individuals earning \$48,000 to \$90,000 will receive the full offset however it will be tapered down for those earning up to \$126,000.

Welfare Spending

The budget proposed an overhaul to the Pension Loan Scheme from 1 July 2022. Similar to a reverse mortgage, the scheme allows those who have reached Age Pension age, who own real estate in Australia to receive a fortnightly loan of up to 150% of the maximum rate of Age Pension, secured against their property. The proposal included a No Negative Equity Guarantee and the inclusion of one or two lump sum advance payments totalling up to 50% of the maximum Age Pension each year, approximately a \$12,000 payment for singles and \$18,000 for couples.

Housing affordability

Family Home Guarantee Package

The Family Home Guarantee Package will allow single parents with a household income of less than \$125,000 to only save a 2% deposit to enter the housing market. Targeted at single mothers, the program aims to support up to 10,000 single parents with dependants over four years commencing 1 July 2021. This will be available for both first home buyers and those re-entering the housing market after a divorce and/or family breakdown.

New Home Guarantee (also known as First Home Loan Deposit Scheme)

Ten thousand places will be added to the New Home Guarantee scheme which allows first home buyers to purchase or build new homes with a deposit of 5% with the federal government guaranteeing the remaining 15%.

First Home Super Save Scheme

The First Home Super Save Scheme allows first home buyers to save money within their superannuation fund. The concessional superannuation tax environment will allow the deposit to build quicker. The budget proposed the amount that can be released from voluntary contributions will increase from \$30,000 to \$50,000 from 1 July 2022.

Aged Care

Not surprisingly, the Aged Care sector received a funding injection post the shocking Aged Care Royal Commission, however no Aged Care levy was proposed. Funding of \$17.7 billion over five years was proposed for the following measures:

- 80,000 new care packages over the next two years for senior Australians who want to remain in their own home.
- An extra \$10 per day per resident and funding to allow aged care residents to receive a mandated 200 minutes a day in front line care.
- Boost residential care homes to spend on better services.
- Training the existing workforce and to encourage more people to join the industry.
- Allow better access to aged care in regional, rural and remote areas.

Business tax breaks

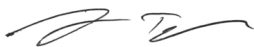
The current write-off scheme will be extended for one year until 30 June 2023 to allow businesses with aggregated annual turnover of less than \$5 billion to write-off the entire cost of new machinery and equipment. This also applies to second-hand assets for small and medium sized businesses with aggregated annual turnover of less than \$50 million.

The loss carry-back rules will also be extended until 30 June 2023. Companies with turnovers of up to \$5 billion can elect to apply tax losses against taxed profit in a previous year, generating a refundable tax offset in the year in which the loss is made.

Get in touch

If you would like to discuss the 2021-2022 Federal Budget further, please do not hesitate to contact your adviser.

Regards



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