



# bartons federal budget update.

## **focussing on expenditure measures including ongoing assistance for business owners, greater superannuation opportunities for older Australians and support for people looking to purchase a home.**

Treasurer Josh Frydenberg delivered his third budget last night, with the words "Australia is coming back." With additional spending measures, there is anticipation the cash deficit will decrease from \$213.7 billion last year to \$161 billion as the economy continues to recover from the COVID-19 pandemic.

Key proposals include:

- extension of the low and middle income tax offset.
- tax relief for businesses.
- removal of the work test for people aged 67-74 for certain superannuation contributions.
- extension of eligibility for non-concessional bring-forward and downsizer contributions.

The most important proposed changes are outlined below.

### **low and middle income tax offset (LMITO) extended**

- the previously announced LMITO for the 2020-21 financial year will now extend through to the 2021-22 financial year.
- this announcement also means that personal income tax will stay the same in the 2021-22 income year compared with the current year.

### **removal of the work test for certain superannuation contributions**

- individuals aged between 67-74 will not need to meet a work test to make salary sacrifice contributions and non-concessional contributions.
- the waiver of the work test will not apply for personal deductible contributions.

### **eligibility to make non-concessional contributions to superannuation under the bring-forward rule**

- individuals aged 67-74 will be able to make non-concessional contributions to superannuation using the bring-forward rule.
- currently, the bring-forward rule can only be applied if a person is aged under 65 on the prior 1st July the contribution is being made.

### **downsizer contributions to superannuation**

- the eligibility age for downsizer contributions will reduce from age 65 to age 60.
- this change will allow individuals to boost retirement savings from the sale of their home 5 years earlier than current.

### **small business measures extended**

- eligible businesses will be able to carry back tax losses 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, to help support business cash flow.
- businesses with an aggregated turnover of less than \$5 billion can apply tax losses against taxed profits in the previous years noted, generating a refundable tax offset in the year in which the loss is made.

### **residency requirements for self-managed super funds (SMSFs)**

- certain residency requirements that apply to SMSFs will be relaxed, helping determine eligibility for tax concessions.
- proposed changes include extending certain safe harbour tests from 2 to 5 years and removing the active member test.

### **first home loan deposit scheme (FHLDS) and family home guarantee (FHG)**

- a further 10,000 eligible first home buyers will have access to the FHLDS if they purchase a new home.
- the FHLDS will offer a loan guarantee of up to 15% to those who have a 5% deposit, helping to avoid lender's mortgage insurance.
- a new FHG will be available to eligible single parents with dependents, who have at least 2% deposit to purchase a new or existing home.

### **increased funding for residential aged care**

- the Government is funding an additional 40,000 home care packages in 2021-22 and a further 40,000 in 2022-23.
- to improve and simplify residential aged care services, a range of measures is being implemented including a new Government funded Basic Daily Fee Supplement, a new Refundable Accommodation Deposit Support Loan Program, a new star rating for Aged Care facilities and a new Aged Care Act over 4 years.

Please note, the Budget night announcements remain proposals at this stage. All proposals mentioned must be passed by Parliament before they become law.

We recommend speaking with your Bartons advisor to discuss how any of these changes may impact your personal situation.



**Chris Waples, Managing Director**