PEAK
Wealth Management

I think we can all agree that it has been a crazy year since the last budget in October 2020.

Here's some highlights from the 11th May 2021 Federal Budget.

The general theme of the budget is that it is looking a lot more promising for Australia than it did last year.

- The budget deficit has been reduced.
- Key focus on getting Australia through COVID-19 and doing this through increased employment and activity.
- Making Australia more sustainable through our own products and services, making us more attractive to do business with throughout the world.
- Getting businesses to be more digital in Australia.
- Funds to go towards Women's safety and the prevention of domestic violence.
- A stronger allocation towards disability and mental health increases, hopefully to make positive impacts over time in these spaces.

Some things to consider from the below budget information:

1. This is just a summary and bringing forward some key points, this does not include all the detail available.
2. The announcements in the federal budget aren't all in effect immediately. A lot of the proposed initiatives might not actually start until they are legislated and hit their start date.

Personal Tax:

- Extending low and middle income tax offset. It will be retained for one more year. It is worth up to $1,080 for individuals or $2,160 for dual income couples. Those earning between $48,000 and $90,000 per annum get the full amount, either side of that still get benefits but requires some calculations. Means more actual cash in your bank account come tax time.
- Increasing the medicare levy low income thresholds.
- Changed the definition of the Australian Tax Residency for individuals. Now it is a simple test where a person who is physically present in Australia for 183 days or more in any income year will be an Australian Tax Resident. Some secondary objective test may apply.

- Employee Share Schemes (ESS) - Removing employment cessation as a taxing point of deferred schemes. The point of doing this is to remove the possibility that a liability may arise at a point in time before the employee has access to the shares of the ESS.
- Extending tax deductions for self education expenses. Removing the “first $250” so it is now claimable for prescribed education.

Business Tax:

- Extending the temporary full expensing of capital assets until 30 June 2023 for businesses with less than $5billion in turnover.
- Extending the temporary loss carry back measure. Speak to your accountant about this one if applicable. Companies can utlise current tax losses to offset previously taxed profits in the eligible years.

Superannuation:

- Removing the work test for non-concessional and salary sacrificed contributions - this ultimately means Australians aged 67 - 74 years old have more flexibility to save money for retirement through Superannuation. Key point with this being able to access the the tax savings and strategies that can come from this.
- Extending access to downsiser contributions - the government is proposing to the lower the age people can access this from age 65 to age 60. These downsizer contributions do not count towards an individual’s non-concessional contributions (NCC) cap which can lead to people getting up to $630k into super if eligible.
- Temporary opportunity to exit from certain legacy retirement products - 2 year opportunity for individuals to transition from legacy products to newer more flexible products. Some of the legacy retirement products include ‘Term Allocated Pensions, life expectancy and lifetimes pension and annuity products. If this is you, worth seeking advice on this.
- Superannuation Guarantee removing the $450 per month income threshold - simple, it means all employee and all income levels will receive SG (employer) contributions.
- Relaxed residency requirements for Self Managed Superfunds (SMSF) - done by removing the active member test and by extending the central management and control test safe harbour from 2 to 5 years. This simply means it would allow members greater flexibility to contribute to their funds while temporarily overseas.

Housing Affordability:

- Extending the First Home Super Saver Scheme - Increased the cap on the withdrawals to a maximum of $50k instead of the current $30k.
- Extending the first home loan deposit scheme - This allows first home buyers/builders to borrow more than the standard 80% of the property with only a 5% deposit without the lenders mortgage insurance impact. This is done when the borrowers make their loan application.
- HomeBuilder program - extension from 6 months to 18 months.

- Family Home Guarantee Scheme - allows eligible single parents with dependants to enter/re-enter the housing market with a deposit as little as 2%. Will need to look into this further.

Families, Social Security and Aged Care:

- Increasing the child care subsidy - The level of subsidy will increase by a further 30% to a maximum of 95% for the second and subsequent child. This will ease the cost of child care and help larger families especially return to work with less barriers.
- Improving the pension loans scheme - The total amount of the pension plus subsidy will still be capped at 150% of the maximum rate of Age Pension. Therefore a single person could receive lump sum payments of up to $12,385 per annum for singles and couples could receive $18,670.
- Supporting changes to aged care - $17+Billion package of support to the Aged care sector. Making it more accessible for those in need of housing.

There is obviously more to the budget and a lot more detail. The purpose of this summary is to give you an insight and a quick understanding of what we thought the main points from it were.

We hope you found this valuable.

Please note, this is not at all financial advice. If you want assistance on understanding how this impacts your personal information please reach out to us or your personal professionals (eg. financial adviser, accountants, lawyer etc.).