OCTOBER 2022 FEDERAL BUDGET REPORT

FIN SEC PARTNERS

Superannuation Measures

Expanding eligibility for the downsizer contribution

Effective date: The start of the first quarter after the date of Royal Assent of the enabling legislation.

Affected clients: Clients aged 55 or older looking to sell their home.

The Government has reconfirmed the previously stated commitment to allow more people to make downsizer contributions to their superannuation, by reducing the minimum eligibility age from age 60 to age 55.

The downsizer contribution will continue to allow eligible individuals to make a one-off after-tax contribution to their superannuation of up to $300,000 (non-indexed) per person from the proceeds following the sale of their home.

The measure provides greater flexibility for older Australians to contribute to their superannuation, while encouraging them to downsize their home sooner for a place better suited to their needs. This measure has the added benefit of increasing the availability of suitable housing stock for Australian families.

Relaxing the residency requirements for SMSFs

Previously announced in May Budget 2022 – Endorsed with deferred date

Effective date: DEFERRED, from 1 July 2022 to the income year commencing on or after the date of Royal Assent of the enabling legislation.

Note: As there has been no legislation put forward yet – even in draft form for consultation – it's likely that this is still a little way off.

Affected clients: SMSF trustees

The Government has reviewed and will now delay the previous Government's measure to relax residency requirements for SMSFs and small APRA-regulated funds (SAFs).

The former announcement from the 2021-22 Federal Budget will relax residency requirements by;

- extending the central management and control temporary absence period for members of SMSFs from the current two years up to five years, and
- removing the active member test.

SMSF and SAF members will have the opportunity to continue to make contributions to their preferred fund while temporarily overseas. This measure will allow comparable contribution treatment to members of SMSFs and SAFs to that of APRA regulated funds while overseas.

Three-year audit cycle for some SMSFs

Effective date: ***Previous government announcement - NOT PROCEEDING***

Affected clients: SMSF trustees

The Government has reviewed and will not proceed with the previous Government's measure to change the annual audit requirements to a three-yearly requirement for SMSFs with a history of good record keeping and compliance.

The former announcement from the 2018-19 Federal Budget would have allowed SMSF trustees that have three consecutive years of clear audits and a history of having lodged annual returns in a timely manner to move to a three-yearly requirement cycle for audits.

Social Security Measures

Increase in the Child Care Subsidy (CCS)

Effective date: From the first Child Care Subsidy fortnight starting after 1 July 2023

Affected clients: Eligible families using child care and earning less than $530,000 annually

The Government will Increase the child care subsidies available to families from 1 July 2023. This will be facilitated by increasing the potential subsidy percentage to a maximum of 90% for families earning up to $80,000 and applying a single taper rate of 1% for every $5,000 of income over $80,000.

Families must earn less than $530,000 to receive the subsidy.

The proposed maximum rates of subsidies will apply as follows:

FAMILY ADJUSTED TAXABLE INCOME 2023/24	CCS PERCENTAGE FROM 2023/24
$0 - $80,000	90%
$80,000 - $530,000	90% minus 1% every $5,000 of income > $80,000
$530,000+	0%

Income thresholds are indexed each 1 July.

For comparison the current maximum rates of subsidy are as follows:

FAMILY ADJUSTED TAXABLE INCOME 2023/24	CCS PERCENTAGE FROM 2023/24
$0 - $72,466	85%
$72,466 - $177,466	85% minus 1% every $3,000 of income > $72,466
$177,466 - $256,756	50%
$256,756 - $346,756	50% minus 1% every $3,000 of income > $256,756
$346,756 - $356,756	20%
$356,756+	0%

The Government expects these changes will increase the rate of Child Care Subsidy for up to 96 per cent of families with children in early childhood education and care and cut the out-of-pocket cost of child care for up to 1.26 million families.

Changes to Child Care Subsidy activity test for families

Effective date: From the first Child Care Subsidy Fortnight starting after 1 July 2023

Affected clients: Eligible families earning less than $80,000 and families with First Nations children using child care.

The Government proposes to:

- Increase the family income cap to $80,000 which provides a minimum of 24 hours of subsidised care if they have less than 8 hours of activity level from 1 July 2023. This is reflected in the table below.

ACTIVITY LEVEL PER FORTNIGHT	HOURS OF SUBSIDISED CARE PER FORTNIGHT FOR 2022/23	HOURS OF SUBSIDISED CARE PER FORTNIGHT FOR 2023/24
< 8 hours	0 hours if income > $72,466 24 hours if income ≤ $72,466	0 hours if income > **$80,000** 24 hours if income ≤ **$80,000**
8 - 16 hours	36 hours	36 hours
16 - 48 hours	72 hours	72 hours
48+ hours	100 hours	100 hours

The activity level is generally used to determine the number of hours of subsidised care a family can receive and is based on the number of hours of ‘recognised activities’ that are undertaken each fortnight.

In families with two partners, the partner with the lower activity level is used to work out the number of hours of subsidised care the family can receive for each child. Recognised activities include paid work, training courses to improve work skills or employment prospects and volunteer work. This is not exhaustive.

Improved child care subsidies if used appropriately are welcome measures. We can only hope that the initiative is successful in helping to improve Australia’s participation rate as well as increasing the number of skilled workers in the workforce.

Freeze on deeming rates

Effective date: From 1 July 2022

Affected clients: Centrelink payment and card recipients and claimants subject to income tests which use deeming.

The Government has committed to freezing deeming rates at their current levels for two years until 30 June 2024. The current deeming rates are set out in the table below.

CLASSIFICATION	DEEMED ASSETS	RATE	DEEMED ASSETS	RATE
Single	≤ $56,400		≤ $56,400	
Couple, Pensioner	≤ $93,600	0.25%	≤ $93,600	2.25%
Couple each, Non-pensioner	≤ $46,800		≤ $46,800	

Deemed assets thresholds are indexed each 1 July.

Commonwealth Seniors Health Card (CSHC) income threshold increase

Effective date: 1 November 2022

Affected clients: Retirees

The CSHC income test eligibility limits will increase to $90,000 a year for singles and $144,000 for couples (combined) who are not separated by illness, respite care or prison. This is reflected in the table below.

CLASSIFICATION	ADJUSTED TAXABLE INCOME 20 SEPTEMBER 2022	ADJUSTED TAXABLE INCOME AFTER COMMENCEMENT
Single	$61,284	**$90,000**
Couple	$98,054	**$144,000**
Couple separated by illness, respite care or prison	$122,568	**$180,000**

Income thresholds are indexed each 20 September.

The Government expects these changes will allow more than 50,000 self-funded retirees to become eligible for the card. The CSHC provides access to Government health concessions, including:

- Concessional co-payments for Pharmaceutical Benefits Scheme medicines;
- Concessional thresholds for the Pharmaceutical Benefits Scheme Safety Net and the Extended Medicare Safety Net; and
- Bulk billed visits to a general practitioner (at the doctor's discretion).

The card may also provide access to other concessions provided by states and territories.

A welcome announcement that could benefit a number of our clients, in particular decreasing the cost of pharmaceuticals and medical costs. If you are not currently on the CSHS and over age pension age please contact your adviser to review if you are now eligible.

Incentivise pensioners to downsize

Effective date: From the later of 1 January 2023 and a month and a day after Royal Assent

Affected clients: Centrelink and DVA income support recipients and claimants who will sell and purchase or build a new principal home

The Government will:

- Increase the maximum duration of the assets test exemption that applies to the proceeds from the sale of a former principal home which are intended to be used to purchase, build, rebuild, repair, renovate another principal home, by an additional 12 months. This will increase the assets test exemption period to a maximum of 24 months in standard cases or up to 36 months where an extension can apply.

Currently, income support recipients who sell their former home, do not have a principal home, and intend to use the sale proceeds to purchase or build a new home can have the amount they intend to use for this purpose, exempt from the assets test for up to a maximum of 12 months from the date of sale. The exemption will cease earlier if the purchase or build is completed within this timeframe. During this period, the income support recipient is also assessed under the homeowner assets test thresholds.

Presently, it is possible to extend this exemption for up to a total period of 24 months if the income support recipient has made reasonable attempts to purchase or build the new home within a reasonable period after selling the former home and has experienced delays outside of their control.

- Apply only the lower deeming rate, currently 0.25% to the proceeds subject to the above home sale proceeds assets test exemption.

Currently, any home sale proceeds from the sale of the former principal home that are held in financial assets prior to the purchase or build of the new home are not distinguished from any other financial assets and deemed ordinarily.

Temporary increase to work bonus income bank

Effective date: From 1 December 2022 if Royal Assent is received before 25 November 2022, otherwise seven days after Royal Assent

Affected clients: Eligible Centrelink pensioners over age pension age and eligible DVA recipients over qualifying age

Centrelink pensioners over age pension age, and certain veterans' entitlement recipients over qualifying age will receive a $4,000 upfront increase to their work bonus income concession bank balance and have their maximum concession balance increased to $11,800, until 30 June 2023. This will mean that pensioners will be able to earn more before the pension income test is applied and their rate of payment affected.

The work bonus is an income test concession applied to income from employment or gainful self-employment which exempts the first $300 earned in a fortnight. In each fortnight if a pensioner earns less than $300, any unused amounts accrue in a work bonus income bank which can be used in future fortnights to disregard a larger amount of income. Currently the maximum amount that can accrue is $7,800.

The following is a list of eligible payments that can benefit from this change.

ELIGIBLE PAYMENTS WHERE RECIPIENT OVER AGE PENSION AGE / QUALIFYING AGE	
• Age Service Pension (DVA)	• Income support supplement (DVA)
• Age Pension	• Invalidity service pension (DVA)
• Carer Payment	• Partner service pension (DVA)
• Disability Support Pension	

Enhancing paid parental leave

Effective date: Flexibility measures from 1 July 2023 and increase from 1 July 2024

Affected clients: Eligible working parents

The Government will combine the Parental Leave Pay and Dad and Partner Pay into Paid Parental Leave (PPL) as a single scheme providing up to 20 weeks in a flexible and shareable scheme for eligible working parents. This will allow either parent to be the primary claimant, rather than only the birth parent under current rules. It will also mean that eligible single parents will benefit as they will have access to two additional weeks.

The current rate of Parental Leave Pay and Dad and Partner Pay is based on the weekly rate of the national minimum wage, currently $812.45 per week before tax (indexed).

The scheme will also be made more flexible allowing PPL to be taken in blocks in between periods of paid work and be taken any time within 2 years of the birth or adoption of a child. Currently, the main portion of Parental Leave Pay is required to be taken as a continuous 12 week period and the recipient must not have returned to work during this period.

Parents will be able to take weeks of leave at the same time, so they can spend time at home together with their children. Under current measures, if a family wants to share parental leave, the birth mother must claim PPL first then transfer it to the other parent. The changes will ensure either parent can be the primary claimant, simplifying the claiming process for families. There will however be a 'use it or lose it' portion for each parent incentivising both parents to access it.

The income test will also be broadened to have an alternate household income eligibility test. One of the current eligibility criteria for Parental Leave Pay and Dad and Partner Pay is for the person to earn adjusted taxable income of less than $156,647 in the 2021/22 financial year. The amendment to the income test will allow someone who does not meet the individual income threshold to still qualify if they meet a family income test of $350,000.

PPL will be progressively increased from 1 July 2024 by two weeks each financial year until a maximum total of 26 weeks reached after 1 July 2026. The ongoing increase is shown in the table below.

FINANCIAL YEAR	MAXIMUM NUMBER OF EEKS LEAVE PAYABLE
2023/24	20
2024/25	22
2025/26	24
2026/27	26

Aged Care Measures

Fixing the Aged care crisis

Effective date: From 2022-23

Affected clients: Current and future aged care users

The Government will provide $2.5 billion over 4 years from 2022–23 to reform the aged care system, including:

- $2.5 billion over 4 years from 2022–23 to improve the quality of care in residential aged care by requiring all facilities to have a registered nurse onsite 24/7 from 1 July 2023 and increasing care minutes to 215 minutes per resident per day from 1 October 2024.
- Improve aged care infrastructure and services that support older First Nations peoples, and older Australians from diverse communities and regional areas. – Establish the Aged Care Complaints Commissioner within the Aged Care Quality and Safety Commission from December 2022.
- Support the sector in providing better food for residential aged care and home care recipients.
- Establish a national registration scheme and code of conduct for personal care workers in the aged care sector.

Implementing Aged care reform

Effective date: From 2022-23

Affected clients: Current and future aged care users

The Government will provide $540.3 million over 4 years from 2022–23 to improve the delivery of aged care services and respond to the Final Report of the Royal Commission into Aged Care Quality and Safety, including:

- Funding for essential aged care information and communication technologies system maintenance and enhancements, including streamlined reporting, and to enable aged care sector reform.
- Expand eligibility for the Australian National Aged Care Classification Transition Fund by including the Basic Daily Fee supplement in the calculation that determines the amount of financial support for facilities.
- Establish the Inspector-General of Aged Care and the Office of the Inspector-General of Aged Care as a Statutory Agency.
- Support the implementation of the Support at Home Program from July 2024 and in the interim extend existing grant arrangements for the Commonwealth Home Support Programme for a further 12 months to 30 June 2024 to reflect the new start date of 1 July 2024 for the Support at Home Program. Aged care measures Topic 4 Text anchor Aged care Matt Manning & Michael Tran
- Technical Consultants Overview Taxation measures Superannuation measures Social security measures Aged care measures Housing measures Advancing gender equality measures

Capping Home Care Administration and Management Fees and prohibiting exit fees

Effective date: From 1 January 2023

Affected clients: Home Care Package recipients

The Government will have the power to cap the fees that home care providers can charge care recipients for administration and management costs. The changes will also remove home care providers' ability to charge exit amounts.

Currently home care providers must publish prices for care and package management, and some providers allow care recipients to self-manage some of these services. However, there is limited transparency about how these are determined and there is no cap on the cost that can be charged. The changes will grant the Government the power to cap these fees.

At the moment, when care recipients cease care with a care provider, they may be charged an exit fee to be taken from any unspent funds the provider holds for the care recipient. The purpose of this fee is to cover the administrative costs of the care recipient leaving. The second proposed measure will prohibit care providers from charging these exit amounts.

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