2021-22 Federal Budget at a glance

Earlier this evening the Treasurer, Mr Josh Frydenberg, delivered his third Budget setting out the next stage in the Government's economic plan to get Australia through COVID-19.

The recovery in the Australian economy from the COVID-19 recession has continued to surpass expectations, having outperformed every major advanced economy in 2020. Real GDP grew strongly over the latter half of 2020, marking the first time on record when Australia has experienced two consecutive quarters of economic growth above 3 per cent.

The underlying cash deficit in 2021 22 is forecast to be $106.6 billion (5.0 per cent of GDP). This is expected to improve over the forward estimates to a $57.0 billion deficit (2.4 per cent of GDP) in 2024 25 and to a deficit of 1.3 per cent of GDP by the end of the medium term.

Compared to the 2020 21 Budget, the underlying cash deficit has improved by $52.7 billion in 2020 21. Gross debt is expected to be 40.2 per cent of GDP at 30 June 2021, increasing to 50.0 per cent of GDP by the end of the forward estimates. Gross debt is projected to stabilise at around 51 per cent of GDP over the medium term.

Net debt will increase to 30.0 per cent of GDP at 30 June 2021 before peaking at 40.9 per cent of GDP at 30 June 2025, and declining to 37.0 per cent of GDP at the end of the medium term.

Executive summary

Superannuation

More flexibility for older Australians

The 2021-22 Budget is giving older Australians, including self-funded retirees, greater flexibility to contribute to their superannuation and access their housing wealth if they choose to by:

- Repealing the work test for those aged 67 to 74: From 1 July 2022, individuals aged 67 to 74 will no longer be required to meet the work test when making, or receiving, non-concessional superannuation contributions or salary sacrificed contributions. These individuals will also be able to access the non-concessional bring forward arrangement, subject to meeting the relevant eligibility criteria.
- Extending access to downsizer contributions: From 1 July 2022, the minimum age for the downsizer contribution will be lowered from 65 to 60. This will allow Australians nearing retirement to make a one-off post-tax contribution of up to $300,000 per person (or $600,000 per couple) when they sell their family home.
- Giving older Australians the choice to move out of legacy retirement products. A two-year period will be provided for conversion of market-linked, life-expectancy and lifetime pension and annuity products which were first commenced prior to 20 September 2007 from any provider, including self-managed superannuation funds (SMSFs). Retirees with these products who choose to will be able to completely exit these products by fully commuting the product and transferring the underlying capital, including any reserves, back into a superannuation fund account in the accumulation phase. From there they can decide to commence a new retirement product, take a lump sum benefit, or retain the funds in that account. Flexi-pension products offered by any provider, and lifetime products offered by a large APRA-regulated defined benefit schemes or public sector defined benefit schemes, will

not be included. Exits will be possible for two years commencing from the beginning of the first financial year after Royal Assent of the enabling legislation.

- Improving the Pension Loans Scheme: From 1 July 2022, the Government will introduce a No Negative Equity Guarantee for PLS loans and allow people access to a capped advance payment in the form of a lump sum.

Other superannuation measures

- Removing the $450 per month threshold for super guarantee eligibility. The measure will have effect from 1 July 2022 (subject to passage of legislation).
- First Home Super Saver Scheme — Increase the maximum releasable amount of voluntary contributions under the scheme from $30,000 to $50,000 from 1 July 2022 (subject to passage of legislation).
- First Home Super Saver Scheme — technical changes that will apply retrospectively from 1 July 2018.
- Self-managed superannuation funds — relaxing residency requirements from 1 July 2022 (subject to passage of legislation).
- Stronger consumer outcomes for members of superannuation funds by providing additional funding the APRA and Super Consumers Australia.
- Additional funding to the ATO to administer the transfer of unclaimed superannuation money directly to KiwiSaver (superannuation) accounts in New Zealand.
- The Government announced it will not be proceeding with the proposed measure to extend early release of superannuation to victims of family and domestic violence.

Financial services and insurance measures

- An industry working group will be established to develop and consult on the design of a streamlined mechanism to facilitate the transfer of policyholders from closed life insurance products and managed investment scheme products to new products.
- Relief from the requirements for certain foreign financial service providers (FFSP) to obtain an Australian Financial Service License (AFSL). The Government will also consult on options to create a fast-track licensing process for FFSPs who wish to establish more permanent operations in Australia.
- The Government will introduce a Financial Market Infrastructures (FMIs) regulatory reform package to provide Australian Regulators with sufficient power to pre-emptively identify and manage risks, or intervene in a FMI failure crisis.
- The Government will make technical amendments to the Taxation of Financial Arrangements legislation which will include facilitating access to hedging rules on a portfolio hedging basis.

Taxation

- The Government will retain the low and middle income tax offset (LMITO) for the 2021-22 income year, providing further targeted tax relief for low- and middle-income earners.
- The Medicare levy low-income thresholds will increase for singles from $22,801 to $23,226. The family threshold from $38,474 to $39,167. For single seniors and pensioners, the threshold will be increased from $36,056 to $36,705. The family threshold for seniors and pensioners will be increased from $50,191 to $51,094. For each dependent child or student, the family income thresholds increase by a further $3,597 instead of the previous amount of $3,533.
- The exclusion of the first $250 of deductions for prescribed courses of education will be removed from 1 July 2022 (subject to passage of legislation).
- The Government will finalise the corporate collective investment vehicles (CCIV) component of the measure titled Ten Year Enterprise Tax Plan — implementing a new suite of collective investment vehicles announced in the 2016-17 Budget, with a revised commencement date of 1 July 2022.
- The Government will remove the cessation of employment taxing point for the tax- deferred Employee Share Schemes (ESS) that are available for all companies. This change will apply to ESS interests issued from the first income year after the date of Royal Assent of the enabling legislation.

- The Government will replace the individual tax residency rules with a new, modernised framework. The primary test will be a simple 'bright line' test — a person who is physically present in Australia for 183 days or more in any income year will be an Australian tax resident.

Social Security

The Government will increase support unemployed Australians by:

- increasing the base rate of working-age payments by $50 per fortnight from 1 April 2021. This increase applies to JobSeeker Payment, Youth Allowance, Parenting Payment, Austudy, ABSTUDY Living Allowance, Partner Allowance, Widow Allowance, Special Benefit, Farm Household Allowance and for certain Education Allowance recipients under the Department of Veterans' Affairs Education Scheme
- increasing the income-free area of certain working-age payments to $150 per fortnight from 1 April 2021. This applies to JobSeeker Payment, Youth Allowance (other), Parenting Payment Partnered, Widow Allowance and Partner Allowance
- extending the temporary waiver of the Ordinary Waiting Period for certain payments for a further three months to 30 June 2021
- expanding the eligibility criteria for JobSeeker Payment and Youth Allowance (other) for those required to self-isolate or care for others as a result of COVID-19 for a further three months to 30 June 2021.

Support for businesses

- Temporary full expensing will now be available until 30 June 2023. Temporary full expensing allows eligible businesses with aggregated annual turnover or total income of up to $5 billion to deduct the full cost of eligible depreciable assets. Assets must be acquired from 7:30pm AEDT on 6 October 2020 and first used or installed ready for use by 30 June 2023.
- Temporary loss carry-back will also be extended by one year. This will allow eligible companies to carry-back tax losses from the 2022-23 income year to offset previously taxed profits as far back as the 2018-19 income year. The tax refund will be available to companies when they lodge their 2020-21, 2021-22 and now 2022-23 tax returns.
- Digital economy strategy — self assess life of intangibles: The Government will allow taxpayers to self-assess the effective life of certain depreciating intangible assets for tax purposes, rather than being required to use the effective life currently prescribed by statute. This will apply to eligible assets acquired following the completion of temporary full expensing, which has been extended and will now end on 30 June 2023.

Other measures

- Women's Safety: The Government will provide funding for initiatives to reduce, and support the victims of Family, Domestic and Sexual Violence (FDSV) against women and children.
- Mental Health: The Government will provide $2.0 billion over four years from 2021-22 for the National Mental Health and Suicide Prevention Plan, including initiatives to be progressed with states and territories for a new national agreement on mental health and suicide prevention.
- Aged Care: The Government will provide funding to improve safety and quality and the availability of aged care services.
- Private Health Insurance: The Government will implement initiatives to support the sustainability of the private health insurance sector and improve affordability for patients.

Superannuation

Flexible Super — repealing the work test for voluntary superannuation contributions

The Government will allow individuals aged 67 to 74 years (inclusive) to make or receive non-concessional (including under the bring-forward rule) or salary sacrifice superannuation contributions without meeting the work test, subject to existing contribution caps. Individuals aged 67 to 74 years will still have to meet the work test to make personal deductible contributions. The measure will have effect from the start of the first financial year after Royal Assent of the enabling legislation, which the Government expects to have occurred prior to 1 July 2022.

Currently, individuals aged 67 to 74 years can only make voluntary contributions (both concessional and non-concessional) to their superannuation, or receive contributions from their spouse, if they are working at least 40 hours over a 30-day period in the relevant financial year. Removing the requirement to meet the work test when making non-concessional or salary sacrifice contributions will simplify the rules governing superannuation contributions and will increase flexibility for older Australians to save for their retirement through superannuation.

Flexible Super — reducing the eligibility age for downsizer contributions

The Government will reduce the eligibility age to make downsizer contributions into superannuation from 65 to 60 years of age. The measure will have effect from the start of the first financial year after Royal Assent of the enabling legislation, which the Government expects to have occurred prior to 1 July 2022.

The downsizer contribution allows people to make a one-off, post-tax contribution to their superannuation of up to $300,000 per person from the proceeds of selling their home. Both members of a couple can contribute in respect of the same home, and contributions do not count towards non-concessional contribution caps.

This measure will allow more older Australians to consider downsizing to a home that better suits their needs, thereby freeing up the stock of larger homes for younger families.

Self-managed Superannuation Funds – legacy retirement product conversions

The Government will allow individuals to exit a specified range of legacy retirement products, together with any associated reserves, for a two-year period. The measure will have effect from the first financial year after the date of Royal Assent of the enabling legislation. The measure will include market-linked, life-expectancy and lifetime products, but not flexi-pension products or a lifetime product in a large APRA-regulated or public sector defined benefit scheme.

Currently, these products can only be converted into another like product and limits apply to the allocation of any associated reserves without counting towards an individual's contribution caps.

This measure will permit full access to all of the product's underlying capital, including any reserves, and allow individuals to potentially shift to more contemporary retirement products.

Social security and taxation treatment will not be grandfathered for any new products commenced with commuted funds and the commuted reserves will be taxed as an assessable contribution.

Removing the $450 per month threshold for superannuation guarantee eligibility

The Government will remove the current $450 per month minimum income threshold, under which employees do not have to be paid the superannuation guarantee by their employer. The measure will have effect from the start of the first financial year after Royal Assent of the enabling legislation, which the Government expects to have occurred prior to 1 July 2022.

This measure will improve equity in the superannuation system by expanding the superannuation guarantee coverage for cohorts with lower incomes. The Retirement Income Review estimated that around 300,000 individuals would receive additional superannuation guarantee payments each month, 63 per cent of whom are women.

First Home Super Saver Scheme — increasing the maximum releasable amount to $50,000

The Government will increase the maximum releasable amount of voluntary concessional and non-concessional contributions under the First Home Super Saver Scheme (FHSSS) from $30,000 to $50,000.

Voluntary contributions made from 1 July 2017 up to the existing limit of $15,000 per year will count towards the total amount able to be released. The increase in maximum releasable amount will apply from the start of the first financial year after Royal Assent of the enabling legislation, which the Government expects will have occurred by 1 July 2022. This measure will ensure the FHSSS continues to help first home buyers in raising a deposit more quickly.

First Home Super Saver Scheme — technical changes

The Government will make four technical changes to the legislation underpinning the First Home Super Saver Scheme (FHSSS) to improve its operation as well as the experience of first home buyers using the scheme. These four changes assist FHSSS applicants who make errors on their FHSSS release applications by:

- increasing the discretion of the Commissioner of Taxation to amend and revoke FHSSS applications
- allowing individuals to withdraw or amend their applications prior to them receiving a FHSSS amount, and allow those who withdraw to re-apply for FHSSS releases in the future

- allowing the Commissioner of Taxation to return any released FHSSS money to superannuation funds, provided that the money has not yet been released to the individual
- clarifying that the money returned by the Commissioner of Taxation to superannuation funds is treated as funds' non-assessable non-exempt income and does not count towards the individual's contribution caps.

Self-managed Superannuation Funds — relaxing residency requirements

The Government will relax residency requirements for self-managed superannuation funds (SMSFs) and small APRA-regulated funds (SAFs) by extending the central control and management test safe harbour from two to five years for SMSFs, and removing the active member test for both fund types. The measure will have effect from the start of the first financial year after Royal Assent of the enabling legislation, which the Government expects to have occurred prior to 1 July 2022.

This measure will allow SMSF and SAF members to continue to contribute to their superannuation fund whilst temporarily overseas, ensuring parity with members of large APRA-regulated funds. This will provide SMSF and SAF members the flexibility to keep and continue to contribute to their preferred fund while undertaking overseas work and education opportunities.

Stronger Consumer Outcomes for Members of Superannuation

The Government will provide $11.2 million over four years from 2021-22 (and $3.1 million per year ongoing) to support stronger consumer outcomes for members of superannuation funds by providing:

- $9.6 million for the Australian Prudential Regulation Authority to supervise and enforce increased transparency and accountability measures as part of the Government's *Your Future, Your Super* reform
- $1.6 million to Super Consumers Australia to support stronger consumer outcomes on behalf of superannuation fund members.

The funding for this initiative will be partially met through an increase in levies on regulated financial institutions.

Transfer of superannuation to the KiwiSaver Scheme

The Government will provide $11.0 million over four years from 2021-22 (and $1.0 million per year ongoing) to the Australian Taxation Office to administer the transfer of unclaimed superannuation money directly to KiwiSaver accounts (the New Zealand equivalent of Australian superannuation funds).

Early release for victims of family and domestic violence (not proceeding)

The Government will not proceed with a measure to extend early release of super to victims of family and domestic violence.

Financial Services and Insurance measures

Rationalising Legacy Life Insurance Products and Managed Investment Scheme Products

The Government will provide $2.5 million over two years from 2021-22 to establish an industry working group to develop and consult on the design of a streamlined mechanism to facilitate the transfer of policyholders from closed life insurance products and managed investment scheme products to new products.

Relief to Foreign Financial Service Providers

The Government will consult on options to restore previously well-established regulatory relief for Foreign Financial Service Providers (FFSPs) who are licensed and regulated in jurisdictions with comparable financial service rules and obligations, or have limited connection to Australia, from holding an Australian Financial Service License, in order to reduce duplicate regulatory requirements. The relief is limited to FFSPs that deal with wholesale clients and professional investors.

The Government will also consult on options to create a fast-track licensing process for FFSPs who wish to establish more permanent operations in Australia. Fast-tracking is intended to shorten application timeframes and reduce barriers to entering the Australian market.

Financial Market Infrastructure Regulatory Reforms

The Government will introduce a Financial Market Infrastructures (FMIs) regulatory reform package to provide Australian Regulators with sufficient power to pre-emptively identify and manage risks, or intervene in a FMI failure crisis. The reform package will:

- allow the Reserve Bank of Australia (RBA) to manage a failure at a clearing and settlement facility
- enhance the supervisory and licensing power of the Australian Securities and Investments Commission and the RBA
- streamline regulatory powers to improve the efficiency of regulatory administration.

The reforms would be accompanied by a facility for the RBA to draw up to $5 billion per event as a last resort measure to ensure the continued operation of clearing and settlement facilities, with any funding to be recovered once a crisis is resolved.

Taxation of Financial Arrangements — hedging and foreign exchange deregulation

The Government will make technical amendments to the Taxation of Financial Arrangements legislation which will include facilitating access to hedging rules on a portfolio hedging basis. The amendments will also reduce compliance costs and correct unintended outcomes, so that taxpayers are not subject to unrealised taxation on foreign exchange gains and losses unless this is elected. These changes will take effect for relevant transactions entered into on or after 1 July 2022.

Taxation

Retaining the low and middle income tax offset for the 2021-22 income year

The Government will retain the low and middle income tax offset (LMITO) for the 2021-22 income year, providing further targeted tax relief for low- and middle-income earners.

The LMITO provides a reduction in tax of up to $1,080. Taxpayers with a taxable income of $37,000 or less will benefit by up to $255 in reduced tax. Between taxable incomes of $37,000 and $48,000, the value of the offset increases at a rate of 7.5 cents per dollar to the maximum offset of $1,080. Taxpayers with taxable incomes between $48,000 and $90,000 are eligible for the maximum offset of $1,080. For taxable incomes of $90,000 to $126,000, the offset phases out at a rate of 3 cents per dollar. Consistent with current arrangements, the LMITO will be received on assessment after individuals lodge their tax returns for the 2021-22 income year.

Retaining the LMITO for 2021-22 provides low- and middle-income earners with a further benefit and provides additional support to help secure the economic recovery.

Personal Income Tax — increasing the Medicare levy low-income thresholds

The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from 1 July 2020 to take account of recent movements in the CPI so that low-income taxpayers generally continue to be exempt from paying the Medicare levy.

The threshold for singles will be increased from $22,801 to $23,226. The family threshold will be increased from $38,474 to $39,167. For single seniors and pensioners, the threshold will be increased from $36,056 to $36,705. The family threshold for seniors and pensioners will be increased from $50,191 to $51,094. For each dependent child or student, the family income thresholds increase by a further $3,597 instead of the previous amount of $3,533.

Personal Income Tax — exemption for pay and allowances for Operation Paladin

The Australian Government will provide a full income tax exemption for the pay and allowances of Australian Defence Force (ADF) personnel deployed to Operation Paladin from 1 July 2020.

Operation Paladin is our contribution to the United Nations Truce Supervision Organisation, with ADF personnel deployed in Israel, Jordan, Syria, Lebanon and Egypt.

This measure ensures that personnel are subject to consistent tax treatment regardless of the operational area of Operation Paladin to which they are deployed.

Reducing compliance costs for individuals claiming self-education expense deductions

The Government will remove the exclusion of the first $250 of deductions for prescribed courses of education. The measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

The first $250 of a prescribed course of education expense is currently not deductible. Removing the $250 exclusion for prescribed courses of education will reduce compliance costs for individuals claiming self-education expense deductions.

Corporate Tax — corporate collective investment vehicle revised start date

The Government will finalise the corporate collective investment vehicles (CCIV) component of the measure titled Ten Year Enterprise Tax Plan — implementing a new suite of collective investment vehicles announced in the 2016-17 Budget, with a revised commencement date of 1 July 2022.

The CCIV is an investment vehicle with a corporate structure that provides flow- through tax treatment. This investment vehicle will enhance the international competitiveness of the Australian managed funds industry by allowing fund managers to offer investment products using vehicles that are more familiar to overseas investors.

Employee Share Schemes — removing cessation of employment as a taxing point and reducing red tape

The Government will remove the cessation of employment taxing point for the tax- deferred Employee Share Schemes (ESS) that are available for all companies. This change will apply to ESS interests issued from the first income year after the date of Royal Assent of the enabling legislation.

Employers use ESS to attract, retain and motivate staff by issuing interests such as shares, rights (including options) or other financial products to their employees, usually at a discount.

Currently, under a tax deferred ESS, where certain criteria are met employees may defer tax until a later tax year (the deferred taxing point). The deferred taxing point is the earliest of:

- cessation of employment
- in the case of shares, when there is no risk of forfeiture and no restrictions on disposal
- in the case of options, when the employee exercises the option and there is no risk of forfeiting the resulting share and no restriction on disposal
- the maximum period of deferral of 15 years.
- This change will result in tax being deferred until the earliest of the remaining taxing points.
- The Government will also reduce red tape for ESS by:
- removing regulatory requirements for ESS, where employers do not charge or lend to the employees to whom they offer ESS
- where employers do charge or lend, streamlining requirements for unlisted companies making ESS offers that are valued at up to $30,000 per employee per year.

This measure will help Australian companies to engage and retain the talent they need to compete on a global stage, which is consistent with recommendations from the Global Business and Talent Attraction Taskforce.

Modernising the individual tax residency rules

The Government will replace the individual tax residency rules with a new, modernised framework. The primary test will be a simple ‘bright line’ test — a person who is physically present in Australia for 183 days or more in any income year will be an Australian tax resident. Individuals who do not meet the primary test will be subject to secondary tests that depend on a combination of physical presence and measurable, objective criteria. The measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

Australia’s current tax residency rules are difficult to apply in practice, creating uncertainty and resulting in high compliance costs for individuals and their employers.

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The new framework, based on recommendations made by the Board of Taxation in its 2019 report to Government *Reforming individual tax residency rules — a model for modernisation*, will be easier to understand and apply in practice, deliver greater certainty, and lower compliance costs for globally mobile individuals and their employers.

Social Security

Increased support for unemployed Australians

The Government will provide $9.5 billion over five years from 2020-21 to increase support for people eligible for working age payments including JobSeeker Payment, further strengthen mutual obligation requirements and maximise job seekers' ability to find and retain employment. This measure will provide:

- $9.3 billion over five years to:
  - increase the base rate of working-age payments by $50 per fortnight from 1 April 2021. This increase applies to JobSeeker Payment, Youth Allowance, Parenting Payment, Austudy, ABSTUDY Living Allowance, Partner Allowance, Widow Allowance, Special Benefit, Farm Household Allowance and for certain Education Allowance recipients under the Department of Veterans' Affairs Education Scheme
  - increase the income-free area of certain working-age payments to $150 per fortnight from 1 April 2021. This applies to JobSeeker Payment, Youth Allowance (other), Parenting Payment Partnered, Widow Allowance and Partner Allowance
  - extend the temporary waiver of the Ordinary Waiting Period for certain payments for a further three months to 30 June 2021
  - expand the eligibility criteria for JobSeeker Payment and Youth Allowance (other) for those required to self-isolate or care for others as a result of COVID-19 for a further three months to 30 June 2021.
- $197.0 million to enable job seekers to participate in an intensive activity after six months of unemployment, including participating in approved intensive short courses, with some job seekers required to participate in Work for the Dole
- $12.0 million to provide stronger incentives through Relocation Assistance to Take Up a Job by providing the $2,000 incentive payment upfront and expanding eligibility to enable job seekers to access the incentive when they take up ongoing work for more than 20 hours per week
- $2.5 million to establish an employer reporting line to refer job seekers who are not genuine in their job search and increase auditing of job applications to ensure job seekers are making genuine applications
- $1.5 million to better support job seekers by recommencing face-to-face servicing for job seekers, implementing a graduated return in job search requirements from 15 per month from April 2021 to 20 per month from July 2021, and mandating job seekers in online employment services to complete their career profile in the jobactive system, to allow better job matching.

Further information can be found in the joint press release of 23 February 2021 issued by the Prime Minister, the Minister for Employment, Skills, Small and Family Business, and the Minister for Families and Social Services, and the press release of 14 April 2021 issued by the Minister for Employment, Workforce, Skills, Small and Family Business.

Support for businesses

Temporary full expensing extension

The Government will extend the 2020-21 Budget measure titled JobMaker Plan — temporary full expensing to support investment and jobs for 12 months until 30 June 2023 to further support business investment and the creation of more jobs.

Temporary full expensing will be extended to allow eligible businesses with aggregated annual turnover or total income of less than $5 billion to deduct the full cost of eligible depreciable assets of any value, acquired from 7:30pm AEDT on 6 October 2020 and first used or installed ready for use by 30 June 2023.

The 12-month extension will provide eligible businesses with additional time to access the incentive. This will encourage businesses to make further investments, including in projects requiring longer planning times, and continue to support economic recovery in 2022-23. All other elements of temporary full expensing will remain unchanged, including the alternative eligibility test based on total income, which will continue to be available to businesses. From 1 July 2023, normal depreciation arrangements will apply.

Temporary loss carry-back extension

The Government will further support Australia's economic recovery and business investment by extending the 2020-21 Budget measure titled *JobMaker Plan — temporary loss carry-back to support cash flow*. The extension will allow eligible companies to carry back (utilise) tax losses from the 2022-23 income year to offset previously taxed profits as far back as the 2018-19 income year when they lodge their 2022-23 tax return. Loss carry-back encourages businesses to invest, utilising the 2021-22 Budget measure titled *Temporary full expensing extension* by providing eligible companies earlier access to the tax value of losses generated by full expensing deductions.

Companies with aggregated turnover of less than $5 billion are eligible for temporary loss carry-back. The tax refund is limited by requiring that the amount carried back is not more than the earlier taxed profits and that the carry-back does not generate a franking account deficit. Companies that do not elect to carry back losses under this measure can still carry losses forward as normal.

Digital Economy Strategy — self-assessing the effective life of intangible depreciating assets

The Government will allow taxpayers to self-assess the tax effective lives of eligible intangible depreciating assets, such as patents, registered designs, copyrights and in- house software. This measure will apply to assets acquired from 1 July 2023, after the temporary full expensing regime has concluded.

The tax effective lives of such assets are currently set by statute. Allowing taxpayers to self-assess the tax effective life of an asset will allow for a better alignment of tax outcomes with the underlying economic benefits provided by the asset. It will also align the tax treatment of these assets with that of most tangible assets.

Taxpayers will continue to have the option of applying the existing statutory effective life to depreciate these assets.

This measure will allow taxpayers to adopt a more appropriate useful life and encourage investment and hiring in research and development.

Other measures

Increasing the Flexibility of the Pension Loans Scheme

The Government will provide $21.2 million over four years from 2021-22 to improve the uptake of the Pension Loans Scheme by:

- allowing participants to access up to two lump sum advances in any 12 month period, up to a total value of 50 per cent of the maximum annual rate of the Age Pension.
- introducing a No Negative Equity Guarantee so borrowers will not have to repay more than the market value of their property
- raising awareness of the Pension Loans Scheme through improved public messaging and branding

Women's Safety

The Government will provide $998.1 million over four years from 2021-22 (and $2.3 million in 2025-26) for initiatives to reduce, and support the victims of Family, Domestic and Sexual Violence (FDSV) against women and children. These proposals form the Government's transitional strategy ahead of the development of the new National Plan to replace the *National Plan to Reduce Violence against Women and their Children (2010-2022).*

Mental Health

The Government will provide $2.0 billion over four years from 2021-22 for the National Mental Health and Suicide Prevention Plan, including initiatives to be progressed with states and territories for a new national agreement on mental health and suicide prevention.

Aged Care — Government response to the Royal Commission into Aged Care Quality and Safety — workforce

The Government will provide $652.1 million over four years from 2021-22 as part of the $17.7 billion whole-of-government response to the recommendations of the Royal Commission into Aged Care Quality and Safety (the Royal Commission) to improve safety and quality and the availability of aged care services.

Private Health Insurance — building the sustainability of the sector and improving affordability for patients

The Government will implement initiatives to support the sustainability of the private health insurance sector and improve affordability for patients.

Funding includes continuing the current policy settings for the income thresholds for the Medicare Levy Surcharge (MLS) and Private Health Insurance Rebate for a further two years from 1 July 2021, whilst a review of the MLS Policy settings is undertaken. Maintaining current policy settings will achieve efficiencies of $303.9 million over four years from 1 July 2021.

Further information?

Copies of Mr. Frydenberg's speech together with supporting Budget papers can be found online at www.budget.gov.au

Source:

- Budget Paper No 1, Budget Strategy and Outlook
- Budget Measures Budget Paper No 2, 2021-22
- Tax incentives to support the recovery Factsheet
- Superannuation – More flexibility for older Australians Factsheet

This document was prepared by:

Kate Deering
Senior Product Manager – Investments
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