12 May 2021

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2021-2022 Federal Budget: Big spending and tax measures

On Tuesday 11 May 2021, Treasurer Josh Frydenberg handed down the 2021-22 Federal Budget (Budget).

Mr Frydenberg said the Australian economy has rebounded at its fastest pace on record over the latter half of 2020. Nevertheless, the impact of COVID-19 will see the deficit reach $161 billion in 2020-21, before further improving to $57 billion by 2024-25.

Tax related measures summarised

The major tax related measures announced in the Budget included:

- **Personal tax rates** - no changes were made to personal tax rates, the Government having already brought forward the Stage 2 tax rates to 1 July 2020. The Stage 3 personal income tax cuts remain unchanged and will commence in 2024-25 as already legislated.
- **LMITO retained for 2021-22** - the Government will retain the low and middle income tax offset for the 2021-22 income year. The LMITO provides a reduction in tax of up to $1,080.
- **Temporary full expensing extended** - the Government will extend the 2020-21 temporary full expensing measures for 12 months until 30 June 2023. This will 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 6 October 2020 and first used or installed ready for use by 30 June 2023.
- **Loss carry-back extended** - the loss years in respect of which an eligible company (aggregated annual turnover of up to $5 billion) can currently carry back a tax loss (2019-20, 2020-21 and 2021-22) will be extended to include the 2022-23 income year.
- **Individual residency test reformed** - the Government will replace the existing tests for the tax residency of individuals with a primary "bright line" test under which a person who is physically present in Australia for 183 days or more in any income year will be an Australian tax resident.
- **Employee share schemes** - the Government will remove the cessation of employment as a taxing point for the tax deferred employee share schemes.
- **Australian Taxation Office (ATO) debt recovery** – the Administrative Appeals Tribunal (AAT) will be given the power to pause or modify ATO debt recovery action in relation to disputed debts of small businesses.
- **Self-education expenses** - $250 threshold to be removed.

Superannuation and related measures summarised

The key superannuation (super) and related measures announced in the Budget include:

- **Super contributions work test** - to be repealed from 1 July 2022 for voluntary non-concessional and salary sacrificed contributions for those under age 75. However, the work test will still apply for personal deductible contributions by those aged 67-74.
- **SMSF residency rules** - to be relaxed by extending the central management and control test safe harbour from two to five years, and removing the active member test for both Self Managed Superannuation Funds (SMSFs) and small Australian Prudential Regulation Authority (APRA) funds.
- **Conversions of legacy income streams** - individuals will be permitted to exit certain legacy retirement income stream products (excluding flexi-pensions or lifetime products in APRA-funds or public sector schemes), together with any associated reserves, for a two year period. Any commuted reserves will not be counted towards an individual's concessional contribution cap. Instead, they will be taxed as an assessable contribution for the fund.
- **Super Guarantee $450 per month threshold** - to be removed from 1 July 2022.
- **Downsizer contributions** - eligibility age to be lowered from 65 to 60.
- **First Home Super Scheme** - to be extended for withdrawals up to $50,000, plus some technical changes for tax and administration errors in applications.
- **Victims of domestic violence** - the Government will not proceed with its previous proposal to extend the early release of super to victims of family and domestic violence.
- **Pension Loans Scheme** - will be expanded to allow access up to two lump sums in any 12 month period (up to a total of 50% of the maximum annual Age Pension) together with a Government guarantee that "No Negative Equity" will apply.

The Budget did not contain any change to the legislated Super Guarantee rate increase from 9.5% to 10% for 2021-22.

As previously announced, the Budget confirmed:

- **30% Digital Games Tax Offset** - for eligible businesses that spend a minimum of $500,000 on qualifying Australian games expenditure (excluding gambling) from 1 July 2022.
- **Intangible assets depreciation** - option to self-assess effective life for certain intangible assets (e.g. intellectual property and in-house software).
- **Brewers and distillers** - the excise refund cap for small brewers and distillers will increase to $350,000 from 1 July 2021.
- **Venture capital** - a review of the venture capital tax concessions will be undertaken in 2021.
- **Child care** - increased subsidies from 1 July 2022.

The full 2021-22 Budget Papers are available from: budget.gov.au

Other key highlights

Revenue and expenditure

- Total 2021-22 revenues seen at $496.6 billion (23.3% of GDP) before rising to $578 billion in 2024-25.
- Expenses are seen falling by 12.3% in 2021-22 to $589.3 billion reflecting the cessation of the Government's temporary welfare measures. As a percentage of Gross Domestic Product (GDP), total expenses are estimated to reach 32% in 2020-21 and then decline over the forward estimates to 26.4% in 2024-25.

Debt

- Net debt is expected to rise to 34.2% of GDP at June 2022 and peak at 40.9% of GDP at June 2025, before decreasing to 37% of GDP at June 2032.
- Gross debt is projected to rise to surpass $1 trillion at 2022-23 from $829 billion at 2020-21.

COVID-related measures

- A further $1.9 billion allocated for vaccine rollout.
- Budget provides $1.5 billion for COVID-related health services, including testing and tracing, respiratory clinics and telehealth.

Tax

- Tax cuts for over 10 million low and middle income earners – individuals will receive up to $1,080 and couples will get $2,160.

Housing

- Government to help another 10,000 first home buyers build a new home with a 5% deposit.
- Some 10,000 single parents to purchase a home with a 2% deposit.
- Increasing the amount that can be released under the First Home Super Saver Scheme to $50,000 from $30,000.
- To allow those aged over 60 to contribute up to $300,000 to their superannuation fund if they downsize their home, freeing up more housing stock for younger families.

Business

- Budget provides a further $2.1 billion in targeted support for aviation, tourism, arts and international education providers.
- Tax relief for around 1,000 small brewers and distillers.
- Double its commitment to the "JobTrainer" fund to help create new apprenticeships and traineeships.
- Investing $1.2 billion to build digital infrastructure, skills and cyber security.
- Launching a new patent box, under which income earned from new patents developed in Australia will be taxed at a concessional 17% rate. The patent box will apply to the medical and biotech sectors.

Women, welfare and safety

- $1.7 billion investment in childcare to help boost workforce participation and women's economic security.
- New $1.1 billion funding for women's safety which would deliver more emergency accommodation, legal assistance, counselling and financial support.
- To remove $450 monthly minimum income threshold for superannuation guarantee to help improve economic security for women.

Infrastructure

- Announces $15 billion in additional infrastructure commitments, including for a new intermodal terminal in Melbourne and a new airport in NSW.

Welfare

- To spend $13.2 billion over four years for National Disability Insurance Scheme.
- To commit $17.7 billion in new aged care funding.
- A $2.3 billion commitment to mental health care and suicide prevention.
- To commit $2 billion to fund preschools.

- To provide more than $19 billion in funding for universities in 2021-22.

Natural disasters
- A $10 billion government guarantee to make insurance more affordable in Northern Australia.
- More than $600 million for community and household projects to mitigate the impact of natural disasters.
- $170 million to boost internet and mobile coverage in regional Australia, particularly in bushfire-prone areas.

Climate change
- The Budget provides over $480 million in new funding for the environment, including $100 million to protect oceans.
- Investing $1.6 billion to fund priority technologies, including clean hydrogen and energy storage.

National security
- The Budget provides $1.9 billion over the decade to strengthen national security, law enforcement and intelligence agencies.

The remainder of our publication explores in more details the key announcements of the Budget applicable to business and individuals having tax and accounting impacts.

PERSONAL TAXATION

Low income offsets - LMITO retained for 2021-22 (but no changes to individual tax rates)

The Government announced in the Budget that the low and middle income tax offset (LMITO) will continue to apply for the 2021-22 income year (originally it was only to apply until the end of the 2020-21 income year).

The amount of the LMITO is $255 for taxpayers with a taxable income of $37,000 or less. Between $37,000 and $48,000, the value of LMITO increases at a rate of 7.5 cents per dollar to the maximum amount of $1,080. Taxpayers with taxable incomes from $48,000 to $90,000 are eligible for the maximum LMITO of $1,080. From $90,001 to $126,000, LMITO 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.

Low income tax offset

The low income tax offset (LITO) will also continue to apply for 2021-22 income year. The maximum amount of the LITO is $700. The LITO will be withdrawn at a rate of 5 cents per dollar between taxable incomes of $37,500 and $45,000 and then at a rate of 1.5 cents per dollar between taxable incomes of $45,000 and $66,667.

Personal tax rates unchanged for 2021-22; Stage 3 start from 2024-25 unchanged

In the Budget, the Government did not announce any personal tax rates changes, having already brought forward the Stage 2 tax rates to 1 July 2020 in the October 2020 Budget. The Stage 3 tax changes commence from 1 July 2024, as previously legislated.

Resident rates and thresholds for 2021-22

The 2021-22 tax rates and income thresholds for residents (unchanged from 2020-21) are:

Tax rates and income thresholds for 2021-22 (unchanged from 2020-21)	
Taxable income ($)	**Tax payable ($)**
0 - 18,200	Nil
18,201 - 45,000	Nil + 19% of excess over 18,200
45,001 - 120,000	5,092 + 32.5% of excess over 45,000
120,001 - 180,000	29,467 + 37% of excess over 120,000
180,001+	51,667 + 45% of excess over 180,000

Stage 3: rates and thresholds from 2024-25 onwards

The Stage 3 tax changes commence from 1 July 2024, as previously legislated.

Self-education expenses: $250 threshold to be removed

The Government will remove the exclusion of the first $250 of deductions for prescribed courses of education. The first $250 of a prescribed course of education expense is currently not deductible (below). This measure is estimated to have a negligible impact on receipts over the forward estimates period.

Date of effect: The measure will have effect from the first income year after the date of assent to the enabling legislation.

Primary 183 day test for individual tax residency

The Government will replace the existing tests for the tax residency of individuals with a primary "bright line" test under which 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.

Date of effect: The new rules will come into effect following Royal Assent of the enabling legislation.

Medicare levy low income thresholds for 2020-21

For the 2020-21 income year, the Medicare levy low income threshold for singles will be increased to $23,226 (up from $22,801 for 2019-20). For couples with no children, the family income threshold will be increased to $39,167 (up from $38,474 for 2019-20). The additional amount of threshold for each dependent child or student will be increased to $3,597 (up from $3,533).

For single seniors and pensioners eligible for the SAPTO, the Medicare levy low income threshold will be increased to $36,705 (up from $36,056 for 2019-20). The family threshold for seniors and pensioners will be increased to $51,094 (up from $50,191), plus $3,597 for each dependent child or student.

Date of effect: The increased thresholds will apply to the 2020-21 and later income years. Note that legislation is required to amend the thresholds and a Bill will be introduced shortly.

Child care subsidies to change 1 July 2022

The Budget confirmed that the Government will make an additional $1.7 billion investment in child care. The changes commence from 1 July 2022, at this time the Government will:

- Increase the child care subsidies available to families with more than one child aged five and under in child care by adding an additional 30 percentage point subsidy for every second and third child.
- Remove the $10,560 cap on the Child Care Subsidy.

The Treasurer states that, under the Government's changes, a single parent on $65,500 with two children in five days of long day care who chooses to work a fifth day will be $71 a week better off compared to the current system. He further states that, under these changes, a family earning $110,000 a year will have the subsidy for their second child increase from 72% to 95%, and would be $95 per week better off for four days of care.

Date of effect: 1 July 2022.

BUSINESS TAXATION

Temporary full expensing: extended to 30 June 2023

The Government will extend the temporary full expensing measure until 30 June 2023. Other than the extended date, all other elements of temporary full expensing will remain unchanged.

Currently the Act allows eligible businesses to deduct the full cost of eligible depreciating assets, as well as the full amount of the second element of cost. A business qualifies for temporary full expensing if it is a small business (annual aggregated turnover under $10 million) or has an annual aggregated turnover under $5 billion.

Date of effect: Assets must be acquired from 7:30pm AEDT on 6 October 2020 and first used or installed ready for use by 30 June 2023.

Loss carry-back extended by one year

Under the temporary, COVID driven restoration of the loss carry back provisions announced in the 2020-21 Budget, an eligible company (aggregated annual turnover of up to $5 billion) could carry back a tax loss for the 2019-20, 2020-21 or 2021-22 income years to offset tax paid in the 2018-19 or later income years.

The Government will extend the eligible tax loss years to include the 2022-23 income year. Tax refunds resulting from loss carry back will be available to companies when they lodge their 2020-21, 2021-22 and now 2022-23 tax returns. This will help increase cash flow for businesses in future years and support companies that were profitable and paying tax but find themselves in a loss position as a result of the COVID-19 pandemic. Temporary loss carry-back also complements the temporary full expensing measure by allowing more companies to take advantage of expensing, while it is available.

Employee share schemes: cessation of employment removed as a taxing point

The Government will remove the cessation of employment as a taxing point for tax deferred Employee Share Schemes (ESS). There are also other changes that are designed to cut "red tape" for certain employers.

The Government will also:

- Remove disclosure requirements and exempt an offer from the licensing, anti-hawking and advertising prohibitions for ESS where employers do not charge or lend to the employees to whom they offer the ESS.
- Increase the value of shares that can be issued to an employee utilising the simplified disclosure requirements (and exemptions from licensing, anti-hawking and advertising requirements) from $5,000 to $30,000 per employee per year (leaving unchanged the absence of such a value cap for listed companies). This will apply to those employers who do charge or lend for issuing employees shares in an unlisted company.

Date of effect: Each of the measures has its own start date. The removal of the cessation of employment as a taxing point will apply to ESS interests issued from the first income year after the date of assent of the enabling legislation.

The other regulatory changes will apply three months after assent of the enabling legislation.

Concessional corporate tax rate for medical and biotech patents income

The Government will introduce a "patent box" tax regime which will tax corporate income derived from patents at a concessional effective corporate tax rate of 17%.
The patent box will apply to income derived from Australian medical and biotechnology patents.

Date of effect: The measure will apply from income years starting on or after 1 July 2022.

Only granted patents which were applied for after the Budget announcement will be eligible.

Digital Economy Strategy measures

The Government's broader Digital Economy Strategy includes:

- **30% digital games tax offset from 1 July 2022: Govt Digital Economy Strategy** - They will provide a 30% Digital Games Tax Offset from 1 July 2022 as part of its $1.2 billion Digital Economy Strategy.
- **Self-assessment of effective lives for intangible assets** - taxpayers will be allowed to self-assess the effective life of certain intangible assets such as intellectual property and in-house software. This amendment, previously announced on 6 May 2021 as part of the Government's Digital Economy Strategy, will apply to patents, registered designs, copyrights and in-house software for tax purposes. Taxpayers will be able to bring deductions forward if they self-assess the assets as having a shorter effective life to the statutory life. The self-assessment of effective lives will apply to eligible assets acquired following the completion of temporary full expensing, i.e. to assets acquired from 1 July 2023.
- **Venture capital tax concessions** - the Government will undertake an assessment review of the venture capital tax concession programs to ensure they are achieving their intended objectives.
- **Digital cadetships** - $10.7 million for a new pilot program for work based digital cadetships.
- **myGov overhaul and digital ID system** - the Government will invest $200 million to overhaul myGov, to make it easier for people to find the services they need, as well as $302 million to enhance the My Health Record and an expansion of the digital identity system.
- **Proof of identity for foreign nationals and companies** - the Government is developing initiatives to make it easier for foreign nationals and companies to prove their identity and do business in Australia.
- **Electronic invoicing** - as part of the Government's commitment in the Digital Business Plan to make e-Invoicing mandatory for government agencies by July 2022, $15.3 million will be invested to increase awareness of the value of e-Invoicing for business and increase adoption.

Extended consultation on corporate tax residency rules

In the 2020-21 Budget, the Government announced that it would amend the law to provide that a company that is incorporated offshore will be treated as an Australian tax resident if it has a "significant economic connection to Australia".

Date of effect: The amendments, as they affect companies incorporated offshore, will have effect from the first income year after the date the enabling legislation receives assent, but taxpayers will have the option of applying the new law from 15 March 2017 (the date on which the ATO withdrew Ruling TR 2004/15). It not known whether the same arrangements will apply for the start date for trusts and corporate limited partnerships should they be brought under the new rules.

NFP income tax exemption transparency enhancement - new online system

To enhance the transparency of income tax exemptions claimed by Not-For-Profit organisations (NFPs), the Government will provide $1.9 million capital funding to the ATO to develop an online system in 2022-23.

Currently non-charitable NFPs can self-assess their eligibility for income tax exemptions, without an obligation to report to the ATO. From 1 July 2023, the ATO will require income tax exempt NFPs with an active Australian Business Number (ABN) to submit online annual self-review forms with the information they ordinarily use to self-assess their eligibility for the exemption. The online system will ensure NFP income tax exemptions are accessed appropriately.

Excise refund cap to be tripled for small brewers and distillers

The Government confirmed in the Budget that the excise refund cap for small brewers and distillers will increase to $350,000 from 1 July 2021. This measure was previously announced on 1 May 2021.

From 1 July 2021, eligible brewers and distillers will be able to receive a full remission of any excise they pay, up to an annual cap of $350,000, effectively tripling the excise refund cap for small brewers and distillers from $100,000 per year. Currently, eligible brewers and distillers are entitled to a refund of 60% of the excise they pay, up to an annual cap of $100,000.

The media release states that this will align the benefit available under the Excise Refund Scheme for brewers and distillers with the Wine Equalisation Tax (WET) Producer Rebate.

Date of effect: 1 July 2021.

Fuel tax credits – heavy vehicle road user charge increased

The heavy vehicle road user charge will be increased from 25.8 cents per litre to 26.4 cents per litre from 1 July 2021. The charge is applied to reduce the fuel tax credit rate per litre available for vehicles with a Gross Vehicle Mass (GVM) greater than 4.5 tonnes.

The increase was agreed by Commonwealth and State and Territory Transport Ministers to contribute to the construction and maintenance of roads.

Apprenticeship wage subsidy expanded

The Boosting Apprenticeship Commencements wage subsidy will be expanded to support businesses and group training organisations that take on new apprentices and trainees. This measure will uncap the number of eligible places (currently capped at 100,000 places). The duration of the 50% wage subsidy will be increased to 12 months from the date an apprentice or trainee commences with their employer.

The subsidy will now be available from 5 October 2020 to 31 March 2022 and businesses of any size can claim the wage subsidy for new apprentices or trainees who commence during this period. Eligible businesses will be reimbursed up to 50% of an apprentice or trainee’s wages of up to $7,000 per quarter for 12 months.

SUPERANNUATION

Super Guarantee: legislated rate rise to 10% remains for 2021-22

The Budget did not announce any change to the timing of the next Super Guarantee (SG) rate increase. The SG rate is currently legislated to increase from 9.5% to 10% from 1 July 2021, and by 0.5% per year from 1 July 2022 until it reaches 12% from 1 July 2025.

With the SG rate set to increase to 10% for 2021-22 (up from 9.5%), employers need to be mindful that they cannot use an employee's salary sacrificed contributions to reduce the employer's extra 0.5% of super guarantee. The ordinary time earnings (OTE) base for super guarantee purposes now specifically includes any sacrificed OTE amounts. This means that contributions made on behalf of an employee under a salary sacrifice arrangement are not treated as employer contributions which reduce an employer's charge percentage.

Super Guarantee $450 per month threshold to be removed

The Superannuation Guarantee $450 per month eligibility threshold will be removed from 1 July 2022. As a result, employers will be required to make quarterly Super Guarantee contributions on behalf of such low-income employees earning less than $450 per month (unless another Super Guarantee exemption applies).

The Retirement Income Review estimated that removing this $450 per month threshold would generate additional Super Guarantee payments each month for around 300,000 low-income individuals (63% of whom are women).

Date of effect: 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.

SG opt-out for high income earners

The increase in the SG rate to 10% from 1 July 2021 also means that the SG opt-out income threshold will increase to $275,000 from 1 July 2021 (up from $263,157). High income earners with multiple employers can opt-out of the SG regime in respect of an employer to avoid unintentionally breaching the concessional contributions cap ($27,500 from 2021-22). Therefore, the SG opt-out threshold from 1 July 2021 will be $275,000 ($27,500 divided by 0.10).

Superannuation contributions work test to be repealed from 1 July 2022

The superannuation contributions work test exemption will be repealed for voluntary non-concessional and salary sacrificed contributions for those aged 67 to 74 from 1 July 2022.

As a result, individuals under age 75 will be allowed to make or receive non-concessional (including under the bring forward rule) or salary sacrifice contributions from 1 July 2022 without meeting the work test, subject to existing contribution caps. However, individuals aged 67 to 74 years will still have to meet the work test to make personal deductible contributions.

Currently, individuals aged 67 to 74 years (i.e. under 75) can only make voluntary contributions (both concessional and non-concessional), or receive contributions from their spouse, if they work at least 40 hours in any 30 day period in the financial year in which the contributions are made (the "work test"): reg 7.04 of the SIS Regulations. Note that the work test age threshold was increased from 65 to 67 from 1 July 2020 as part of the 2019-20 Budget.

Date of effect: 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.

Non-concessional contributions and bring forward

The Government confirmed that individuals under age 75 will be able to access the non-concessional bring forward arrangement (i.e. three times the annual non-concessional cap over three years), subject to meeting the relevant eligibility criteria. However, note that the Government is still yet to legislate its 2019-20 Budget proposal to extend the bring forward age limit so that anyone under age 67 can access the bring forward rule from 1 July 2020.

The Government also noted that the existing restriction on non-concessional contributions will continue to apply for people with total superannuation balances above $1.6m ($1.7m from 2021-22).

SMSF residency requirements to be relaxed

The residency requirements for SMSFs and small APRA-regulated funds will be relaxed by extending the central management and control test safe harbour from two to five years for SMSFs, and removing the active member test for both fund types.

Date of effect: 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.

SMSF conversion of legacy income stream products

Individuals will be permitted to exit a specified range of legacy retirement products, together with any associated reserves, for a two year period.

The measure will include market linked income streams, life expectancy and lifetime products. However, it will not apply to flexi-pension products or a lifetime product in a large APRA-regulated or public sector defined benefit scheme.

The proposed 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. Currently, individuals are locked into certain products that restrict access to capital and flexibility of drawdowns, preventing them from effectively using their retirement savings for health, aged care, and other large expenses in retirement.

Date of effect: Exits will be possible for two years commencing from the beginning of the first financial year after Royal Assent of the enabling legislation.

Downsizer contributions eligibility age reduced to 60

The minimum eligibility age to make downsizer contributions into superannuation will be lowered to age 60 (down from age 65) from 1 July 2022.

The proposed reduction in the eligibility age will mean that individuals aged 60 or over can make an additional non-concessional contribution of up to $300,000 from the proceeds of selling their home. Either the individual or their spouse must have owned the home for 10 years.

The maximum downsizer contribution is $300,000 per contributor (i.e. $600,000 for a couple), although the entire contribution must come from the capital proceeds of the sale price. As under the current rules, a downsizer contribution must be made within 90 days after the home changes ownership (generally the date of settlement).

Date of effect: 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.

First Home Super Scheme to be extended for withdrawals up to $50,000

The Budget confirmed that the maximum amount of voluntary superannuation contributions that can be released under the First Home Super Saver (FHSS) scheme will be increased from $30,000 to $50,000. This measure was previously announced on 8 May 2021.

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 (which includes voluntary concessional and non-concessional contributions).

Withdrawals of eligible FHSS contributions (and associated earnings) are taxed at the individual's marginal rate less a 30% tax offset. Effectively, the scheme provides a 15% tax saving on money channelled via super for a first home purchase.

Date of effect: The increase in maximum releasable amount to $50,000 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.

Super early release abandoned for victims of domestic violence

The Government will not proceed with its previous proposal to extend the early release of superannuation to victims of family and domestic violence.

Govt Pension Loans Scheme - access to lump sums; no negative equity guarantee

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

- Allowing participants to access up to two lump sum advances in any 12 month period, up to a total value of 50% of the maximum annual rate of the Age Pension; and introducing a No Negative Equity Guarantee so borrowers will not have to repay more than the market value of their property.

Date of effect: 1 July 2022.

HOME OWNER SUPPORT

Home Guarantees for single parents and new homes

Other first home buyer measures, announced as part of the Budget, include:

- **New Home Guarantee** - to be expanded for a second year, providing an additional 10,000 places in 2021-22. First home buyers seeking to build a new home or purchase a newly built home will be able to do so with a deposit of as little as 5%
- **Family Home Guarantee for single parents** - to be established with 10,000 guarantees made available over four years to single parents with dependants. The Family Home Guarantee allows them to purchase a home sooner with a deposit of as little as 2%.

Home ownership funding package

The government will provide $782.1 million over four years from 2021–22 to increase home ownership, support jobs in the residential construction sector and enhance housing data. Funding in this package includes:

- $774.8 million over two years from 2021-22 for the HomeBuilder program to extend the construction commencement requirement from six months to 18 months for all existing applicants.
- Establishing the Family Home Guarantee with 10,000 places from 2021-22 to support single parents with dependants to enter, or re-enter, the housing market with a deposit of 2%.
- Extending the first home loan deposit scheme to provide an additional 10,000 new home guarantees in 2021–22 to allow eligible first home buyers to build a new home or purchase a newly constructed home with a deposit of 5% .
- $5.8 million over three years from 2021-22 to continue to support the Australian Housing and Urban Research Institute to deliver the National Housing and Urban Research Program.
- $1.2 million over four years from 2021-22 for the Australian Institute of Health and Welfare to maintain and enhance the Housing Data Dashboard website, with costs partially offset by National Housing Finance and Investment Corporation research funding.

TAX COMPLIANCE AND INTEGRITY

Small business to be able to pause disputed ATO debt recovery

The Government will introduce legislation to allow small businesses to pause or modify ATO debt recovery action where the debt is being disputed in the AAT. The Treasurer had earlier announced this measure on 8 May 2021.

Small business entities (including individuals carrying on a business) with an aggregated turnover of less than $10 million per year will be eligible to use the option. The AAT will be required to "have regard to the integrity of the tax system" in deciding whether to pause or modify the ATO's debt recovery actions.

Date of effect: The changes will take effect from the date of assent of the amending legislation.

2021 storms and floods – income tax exemption for qualifying grants

An income tax exemption will be provided for qualifying grants made to primary producers and small businesses affected by the storms and floods in Australia.

Qualifying grants are Category D grants provided under the Disaster Recovery Funding Arrangements 2018, where those grants relate to the storms and floods in Australia that occurred due to rainfall events between 19 February 2021 and 31 March 2021.

They include small business recovery grants of up to $50,000 and primary producer recovery grants of up to $75,000. The grants will be made non-assessable non-except income for tax purposes.