FEDERAL BUDGET ANALYSIS

MAY 2021

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BUDGET OVERVIEW

Comforted by the knowledge that Australia's economic recovery is well underway and the budget position much improved, the Treasurer, Josh Frydenberg opened the purse strings in the interests of encouraging jobs growth and ensuring that the recovery continues at pace and into the future. In what could be the last Budget before the next Federal election, the Government did not hold back on spending on this occasion. This certainly wasn't a tough budget by any means. Debt and deficits hardly got a mention, much to the annoyance of the Opposition who have been ruthlessly attacked over the years for running up big deficits themselves! For the time being the Government seems confident that their fiscal policy response to date has been appropriate, and most importantly, has proven to be highly effective.

The key Budget measures announced included the following relief packages:

- $7.8 billion to extend tax relief to around 10.2 million low- and middle-income earners.
- $20.7 billion in tax relief through extending temporary full expensing and temporary loss carry back.
- $17.7 billion to transform the aged care system.
- $15.2 billion in new commitments to infrastructure projects right across Australia.
- $13.2 billion for the National Disability Insurance Scheme.
- $2.7 billion to extend the Boosting Apprenticeship Commencements wage subsidy.
- $2.3 billion for mental health and suicide prevention services.
- $1.7 billion in Child Care subsidies for families.
- $1.2 billion to support the digital economy.
- Removal of the $450 per month super threshold for women.
- Family Home Guarantee to help 10,000 single parents buy their own home with just a 2% deposit.
- The ages at which people can downsize their family home and contribute $300,000 to their super will be reduced to 60 from 65, and the work test abolished.

The underlying cash balance (Budget position) is now expected to be a deficit of $161.0 billion in 2020-21 which is expected to steadily fall in future periods. This represents a material improvement on forecasts made back in October 2020 when the Budget was last handed down. The improving bottom line has been boosted by rising iron ore prices, and of course, a much stronger labour market, which the Government is pinning its hopes on will continue.

	Actual	Estimates					
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total(a)
Underlying cash balance ($b)(b)	**-85.3**	**-161.0**	**-106.6**	**-99.3**	**-79.5**	**-57.0**	**-342.4**
Per cent of GDP	-4.3	-7.8	-5.0	-4.6	-3.5	-2.4	
Net operating balance ($b)	**-92.3**	**-154.5**	**-92.7**	**-90.2**	**-70.2**	**-55.7**	**-308.9**
Per cent of GDP	-4.7	-7.5	-4.3	-4.1	-3.1	-2.3	

Source: Budget papers

THE ECONOMY AND MARKETS

It was just over a year ago that Australia plunged headfirst into recession. The national economy was in lockdown. Unemployment skyrocketed and confidence levels were at all-time lows.

The Reserve Bank of Australia responded by cutting interest rates to 0.1%. The Government chimed in with an equally significant policy response. Together the measures have resulted in a remarkable V-shaped recovery that gathered pace in the second half of last year.

	Outcome	Forecasts				
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Real GDP	-0.2	1 1/4	4 1/4	2 1/2	2 1/4	2 1/2
Employment	-4.2	6 1/2	1	1	1 1/4	1 1/4
Unemployment rate	6.9	5 1/2	5	4 3/4	4 1/2	4 1/2
Consumer price index	-0.3	3 1/2	1 3/4	2 1/4	2 1/2	2 1/2
Wage price index	1.8	1 1/4	1 1/2	2 1/4	2 1/2	2 3/4
Nominal GDP	1.7	3 3/4	3 1/2	2	4 3/4	5

Source: Budget papers

The recovery in real economic activity from the COVID-19 recession has continued to exceed expectations. Australia has now experienced two consecutive quarters of economic growth above 3% which is unprecedented. Based on the forecasts above, the Government clearly thinks economic growth will continue to outperform, predicting a 4.25% increase in the 2021-22 financial year before tapering off to a more sustainable level. If this were to transpire, it would undoubtably be great news for the country. That said, a lot of things need to go right for this particularly strong set of numbers to materialise. Household consumption, dwelling investment and new private business investment all need to fire on all cylinders. In addition, the forecast of 4+% growth is heavily dependent on a range of factors, including international borders reopening, tourist activity, international students returning and migration coming back. Whilst confidence has noticeably improved of late, there are plenty of downside risks to contend with, including ongoing viral outbreaks, future lockdowns, and job losses that could potentially send us backwards.

	Outcomes[(b)]	Forecasts		
	2019-20	2020-21	2021-22	2022-23
Real gross domestic product	**-0.2**	**1 1/4**	**4 1/4**	**2 1/2**
Household consumption	**-3.0**	1 1/4	5 1/2	4
Dwelling investment	**-8.1**	2 1/2	0	-1 1/2
Total business investment[(c)]	**-2.0**	-5	1 1/2	10
By industry				
Mining investment	**6.8**	1/2	3	3 1/2
Non-mining investment	**-4.5**	-6 1/2	1 1/2	12 1/2
Private final demand[(c)]	**-3.2**	3/4	4 1/2	4 1/2
Public final demand[(c)]	**5.5**	5 3/4	5	1 3/4
Change in inventories[(d)]	**-0.3**	1/4	0	0
Gross national expenditure	**-1.4**	2 1/2	4 3/4	3 3/4
Exports of goods and services	**-1.8**	-8	4	3
Imports of goods and services	**-7.4**	-4	6 1/2	9 1/2
Net exports[(d)]	**1.2**	-1	- 1/4	-1 1/4
Nominal gross domestic product	**1.7**	3 3/4	3 1/2	2
Prices and wages				
Consumer price index[(e)]	**-0.3**	3 1/2	1 3/4	2 1/4
Wage price index[(f)]	**1.8**	1 1/4	1 1/2	2 1/4
GDP deflator	**1.9**	2 1/2	- 1/2	- 1/2
Labour market				
Participation rate (per cent) [(g)]	**63.4**	66 1/4	66 1/4	66
Employment[(f)]	**-4.2**	6 1/2	1	1
Unemployment rate (per cent) [(g)]	**6.9**	5 1/2	5	4 3/4
Balance of payments				
Terms of trade[(h)]	**0.9**	10	-8	-10 1/2
Current account balance (per cent of GDP)	**1.8**	3 3/4	1 1/4	-2 1/4

Source: Budget papers

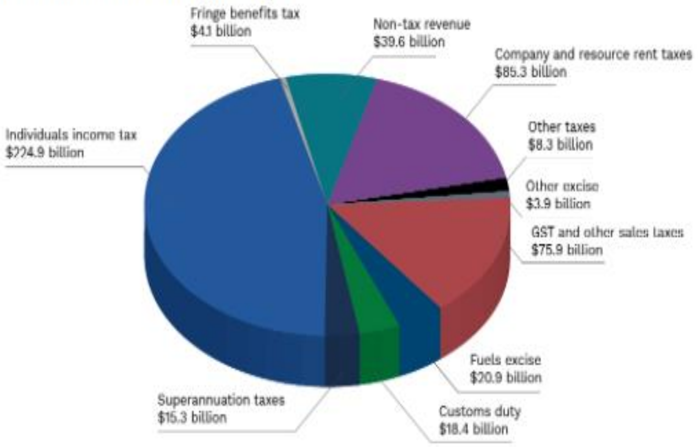
Across the board, the Government has revised up its forecasts since the mid-year economic and fiscal outlook. It is interesting to note that inflation and wages forecasts have also been revised up. Another interesting development is that the Government has pushed out its $US55 per tonne iron ore price assumption again to now March quarter 2022. This is an important item in the Budget forecasts because movements in commodity prices can have significant effects on nominal GDP and Commonwealth tax revenue. In fact, as the Government's modelling shows, if the iron ore price were to fall immediately to US$55 per tonne, nominal GDP would be around $11.6bn lower than forecast in 2020-21 and $38.1bn lower in 2021-22. If iron ore continues at current elevated levels (US$228 per tonne), nominal GDP could be around $1.1 billion higher than forecast in 2020-21 and $48.7 billion higher in 2021-22. This would result in an increase in tax receipts of around $100 million in 2020-21, $5.5 billion in 2021-22 and around $6.9 billion in 2022-23!

The elephant in the room continues to be how much this is all costing us! Net debt is expected to be 34.2 per cent of GDP on 30 June 2022 and peak at 40.9 per cent of GDP in 2024-25. This is fractionally lower than what was expected at the time of the last Budget but is still staggeringly large no matter how you frame it! While the Government seems to be avoiding the issue when questioned, the fact is the cost of servicing the debt is very cheap right now and manageable with interest rates at historical lows. Provided economic growth continues, the debt to GDP ratio should reduce over time without the need for higher taxes and other budget repair measures.

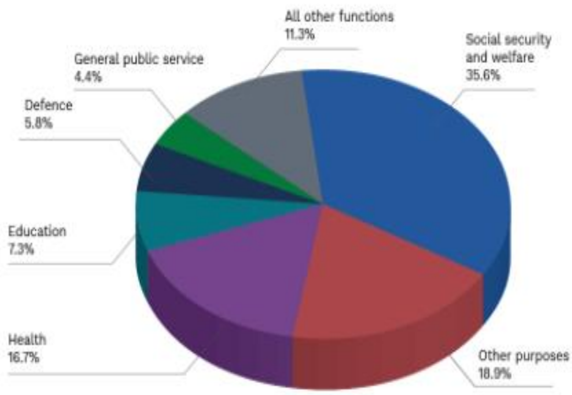
Financial markets are likely to respond favourably to the Budget in our opinion. We saw in the run up to Budget night, a positive response from the infrastructure sector when the Government committed to several additional infrastructure projects. The broader sharemarket is also likely to benefit from the Government's continued fiscal stimulus, lower for longer cash rates and rising demand for goods and services. Property is also well placed to benefit.

Overall, whilst there are always things to be critical of and a thought that the Government has once again missed some golden opportunities, the Government's strategy to continue to run up a deficit and a huge debt burden is arguably the only option available to them. To date the strategy appears to be working. This Budget kicks the debt can down the road but importantly it offers some instant relief to many millions of Australians, including the aged, women and low- and middle-income earners.

Where revenue comes from (2021-22)



Where taxpayers' money is spent (2021-22)



Source: budget.gov.au

SUPERANNUATION

The 2021-22 Federal Budget continued the trend of more recent years by making relatively limited and positive changes to superannuation legislation. The focus of the announcements this year was around making the benefits of the superannuation system accessible to more people.

While not announced in this year's budget, some prior changes coming into effect on 1 July 2021 are: -

Area	Change
Concessional Contribution Cap	$27,500 (up from $25,000)
Non-concessional Contribution Cap	$110,000 or $330,000 over 3 years (up from $100,000 and $300,000 respectively)
Minimum Account based pension payment	Return to the normal % rates (up from the 50% reduction over the last 2 years)
Superannuation Guarantee	10% (up from 9.5%)
Government Co-contribution ($500)	Lower Income Threshold - $41,112 Upper income threshold - $56,112

Removing the work test

Date of effect: 1 July 2022 **Who's affected: Individuals 67 – 74.**

Under the proposal, individuals aged between 67 to 74 will be allowed to make salary sacrifice and non-concessional contributions (within existing allowable caps) without having to meet a work test. Under current arrangements, a work test must be met (where individuals must have worked 40 hours in 30 consecutive days at some stage during the financial year) to be eligible to make personal or salary sacrifice contributions.

The proposal also aligns the bring forward rule (using up to 3 years of non-concessional contribution caps) with this change.

The proposal has not removed the work test requirement for individuals between 67 and 74 to be eligible to make personal concessional contributions.

Profile's view: The proposed changes provide an increased opportunity for older Australians to restructure their wealth into the tax effective superannuation environment. Importantly, it may allow people to get more total funds in, or to do so over a greater period, where the capital gains tax implications of the restructure can be managed more effectively.

The changes also increase the timeframe available to implement what is known as a "recontribution strategy" that can improve the underlying tax components of your superannuation account and ultimately potentially reduce the tax payable by your Estate.

Reducing the eligibility age to make a downsizer contribution from 65 to 60 years of age

Date of effect: 1 July 2022 **Who's affected: Homeowners selling their residence and looking to increase their superannuation balances.**

Since 1 July 2018, a downsizer contribution of up to $300,000 per person into superannuation has been allowed by those aged 65 years or older, selling a home they have held for more than 10 years and have claimed as their primary residence at some stage. The proposed measure is set to lower the eligibility age from 65 to 60 years old.

Profile's view: For those fortunate enough to be in a position where they have utilised their bring-forward non-concessional cap of $300,000, the lowering of the eligibility age to 60 provides an opportunity for more individuals to further build their wealth in the concessional superannuation environment. Careful consideration must be applied to the "order" of contributions to ensure that the individual **does not** fail the Total Superannuation Balance criteria to make non-concessional contributions.

Removing the $450 monthly income threshold

Date of effect: 1 July 2022 **Who's affected: Casual / part-time workers.**

The Government is removing the current income threshold so those that earn less than $450 per month per employer will be entitled to receive the superannuation guarantee payment. The current threshold allows employers to not pay superannuation guarantee for those workers earning amounts under $450 per month.

Profile's view: The measure sees that every Australian will earn super on every dollar they earn. We see a positive impact on the superannuation balances for employees in sectors typically renown for a casual workforce, such as the retail and hospitality sectors. Those working 3-4 jobs, each with income under the $450 per month threshold can expect the greatest impact. The Government points to the threshold having a disproportionate impact on women, given that 2 out of 3 part-time workers are female, and we see that many younger workers will also benefit.

Legacy superannuation products can be converted

Date of effect: 1 July 2022 **Who's affected: Legacy Superannuation product holders.**

The Government will open a two-year window that will allow individuals to exit specific types of legacy retirement products (Term Allocated Pension as well as complying life expectancy and lifetime income streams), including any associated reserves, without penalty. The capital supporting these products will be able to be moved back to a superannuation accumulation account where the member can then decide if they would like to commence a pension under the current rules.

The existing social security treatment that applies to the product (such as the 50% or 100% asset test exemption) will cease and instead the funds will be assessed under current rules.

Profile's view: Some legacy product holders face restricted access to capital that can hinder the ability to meet lumpy expenses. The proposed change is part of the Government's broader strategy to make superannuation more flexible for older Australians. While more flexibility is normally a good thing, this change could allow people that are lacking financial discipline to burn through their retirement capital more quickly and run a higher risk of running out of funds.

When considering if a legacy product should be converted, the impacts of taxation and social security will be critical in determining if the extra flexibility of the current rules are worth it. The exact legacy product and personal circumstances weigh in heavily on this one, and as such, a legacy product holder should be speaking to their Adviser before making any decisions.

SMSF Residency requirement

Date of effect: 1 July 2022

Who's affected: SMSF and Small APRA Super Fund members overseas.

Under current rules, SMSF trustees can live overseas for a maximum of 2 years (without return) with the Fund still meeting the central management and control test requirement.

The current active member test generally prevents members residing overseas from making contributions or rollovers into their SMSF without putting at risk the Fund's residency status.

The Government plans to relax the residency requirements for SMSF's by extending the central management and control test from 2 to 5 years and removing the active member test.

Profile's view: Addressing and maintaining SMSF compliance can add complexity and incur significant transaction costs when a member is looking to be a non-resident for greater than 2 years. This has been an issue for many workers considering overseas appointments or contract work where it is common for employers to be seeking people for greater than 2 years. Moving the allowable period out to 5 years should mean this will impact far less people that are considering spending some time abroad.

First home super saver scheme

Date of effect: 1 July 2022

Who's affected: First home buyers.

The Government has proposed increasing the maximum amount of voluntary concessional and non-concessional contributions releasable from superannuation accounts under the FHSS scheme from $30,000 to $50,000. Voluntary contributions like salary sacrifice, personal deductible contributions and non-concessional contributions made since 1st July 2017 (up to the annual limit of $15,000) and their deemed earnings, will be allowed to be released up to the increased $50,000 limit for first home buyers.

Profile's view: Since the scheme was first introduced there has been a limited uptake due complexity, the mechanics of accessing the funds when you are ready to buy, and the planning ahead required to utilise the scheme in a meaningful way. Given the annual $15,000 cap applicable to contributions under the scheme it means that it will take at least 4 years of making additional contributions to fully utilise the scheme – so planning will be critical.

TAXATION

For Individuals:

Maintaining the Low and Middle-Income Tax Offset (LMITO)

Date of effect: 1 July 2021 **Who's affected: Income earners up to $126,000.**

Originally scheduled to cease in the Financial Year ending 30 June 2020, the Low and Middle-Income Tax Offset will be extended again for the 2021-22 Financial Year. This allows Australians earning up to $126,000 per annum to further reduce their tax payable.

The LMITO is calculated for individuals by the ATO after lodging their tax returns, but it is important to note the tax offset can only reduce the tax payable to zero.

Taxable Income ($)	LMITO for the 2021-2022 Financial Year
0-37,000	Up to $255
37,001 – 48,000	$255 plus 7.5 per dollar over $37,001
48,001-90,000	$1,080
90,001-126,000	$1,080 less 3 cents per dollar over $90,001
Over 126,001	Nil

Profile's View: Profile believes the extension will provide a meaningful uplift to cash flow by providing up to $1,080 to low to medium income earners. The Government is seeking to provide Australians with much-needed disposable income that can be used to stimulate the economy and extending this measure a further year looks to be an easy way to accomplish this objective. Without the Tax Offset, eligible individuals would be paying more tax than the previous year, which in the current economic environment would not be viewed as favourable by voting Australians.

Updating the individual tax residency rules for the 21st Century

Date of effect: First Financial Year after Royal Assent **Who's affected: Employee and employer.**

As the current tax residency rules were designed during the 1930s, the Australian Government has decided to update the convoluted tax residency rules with a simple 183-day test, whereby an individual who spends 183 days or more in Australia is regarded as a resident for tax purposes. Individuals who do not meet this primary test will be subject to a secondary test that depends on a combination of physical presence and quantifiable objective criteria.

With individuals and their employers facing large compliance costs, including the need to seek third-party advice despite having otherwise simple tax affairs, the Government has announced it will act on the recommendations presented in the report "*Reforming Individual Tax Residency Rules – a model for moderations".*

Profile View: From Profile's standpoint, any simplification to legislation that provides greater certainty and clarity for individuals is a positive change that will encourage business leaders from all over the globe to do business in Australia. As the current framework is complex and poses a lot of grey area for taxpayers, this should also reduce the need for third-party taxation advice and deliver a post COVID influx of foreign skilled workers.

Employee Share Scheme (ESS) Reform

Date of effect: First Financial Year after Royal Assent

Who's affected: Employers and employees.

Currently there are four triggers that can create a deferred tax event for ESS interests acquired after 1 July 2015. The Government is proposing the removal of one of the triggers, being the cessation of employment as a deferred taxing point. The other three triggers remain in place which are as follows:

1. In the case of shares, when there is no risk of forfeiture and no restrictions on disposal.
2. In the case of options, when the employer exercises an option and there is no risk of forfeiture and no restrictions on disposal.
3. After 15 years.

For example, an employee received shares under an ESS on the 1 February 2018 which will vest on the 31 January 2024. Currently, if the employee then leaves their employer on 1 July 2021 they are taxed at this time.

Under the new arrangements, the employee would be taxed at the next deferred taxing point when there is no risk of forfeiture and no restrictions on disposal of the shares. In this case it would likely be 31 January 2024.

Profile's view: An ESS is commonly used to attract talent when the employer is unable to offer a market rate salary, by instead offering employees shares in the company. Profile believes this will help encourage technology start-ups, entrepreneurship and innovation in the Australian economy and lead to the creation of new jobs. The abolition of the 'cessation of employment' trigger removes the need for an individual to have to pay tax on shares where they do not have an asset to sell to meet any tax liability.

Increase in Child Care Subsidies

Date of effect: 1 July 2022

Who's affected: Individuals with children in childcare.

The Government is offering rebates of up to 95% for families with two children in childcare, which the Government believes equates to 250,000 families being better off by around $2,200 per year. Specifically, it is an increase of 30% for the second and subsequent children up to a maximum subsidy of 95% for these children. If a family's income is below $129,390 the 95% rebate can apply but this rebate decreases as the level of family income increases.

The Government is also removing the Child Care Subsidy cap of $10,560 per child per year which currently only applies to a family earning between $189,390 and $353,680.

Your Family Income	Child Care Subsidy Percentage (first child)	Child Care Subsidy Percentage (second and subsequent children)
$0 to $69,390	85%	95%
More than $69,390 to below $174,390	Between 85% and 50%. The percentage goes down by 1% for every $3,000 of income your family earns.	Between 95% and 80%. The percentage goes down by 1% for every $3,000 of income your family earns.
$174,390 to below $253,680	50%	80%
$253,680 to below $343,680	Between 50% and 20% The percentage goes down by 1% for every $3,000 of income your family earns.	Between 80% and 50% The percentage goes down by 1% for every $3,000 of income your family earns.
$343,680 to below $353,680	20%	50%
$353,680 or more	0%	0%

Profile's view: Profile welcomes the removal of the Child Care Subsidy cap as it means families can work more hours without having to budget for an increase in childcare fees once the cap is hit. However, the increase in rebates is too narrow, as it requires two children to be 5 years or under and attending childcare and only applies to the second and subsequent children. If it results in the progression of careers or the increase in working hours for families, there is some merit to it. Profile hopes it is only the start of the reforms to make childcare more affordable for families.

For Businesses:

Temporary carry-back provision for Business losses extended

Date of effect: 1 July 2019 - 30 June 2023

Who's affected: Businesses with annual turnover of up to $5 billion.

In last year's Budget it was announced companies with a turnover below $5 billion who suffer a temporary reduction in business because of the COVID-19 pandemic can claim a refundable tax offset (i.e., cash back) in a loss-making year against previously taxed profits. The offset will be uncapped, however any amounts carried back cannot exceed the earlier taxed profits and cannot generate a franking account deficit.

The 2021 Budget has now extended this provision into the 2022-23 Financial Year. It means companies can now apply losses incurred in the 2019-20 to the 2022-23 Financial Years against profits from the 2018-19 Financial Years and earlier. It is important to note eligible companies are only able to receive a tax refund upon lodgement of their eligible tax returns.

Profile's view: Companies that have suffered a business downturn due to COVID-19 may have still generated a profit due to the cashflow assistance provided by the JobKeeper scheme. With the end of JobKeeper, this extension may provide businesses who may struggle to generate profits with a greater opportunity to mitigate any losses until the 2022-23 Financial Year. The businesses that are most likely to apply this measure are ones that failed the 30% reduction in revenue to be eligible for JobKeeper but kept staff on to service their clients. Wages are a major expense line in a businesses' budget, which when combined with a fall in revenue, may well have led to losses.

Extension of the instant asset write-off

Date of effect: 7 October 2020

Who's affected: Business with annual turnover of up to $5 billion.

Businesses with annual turnover of up to $5 billion will continue to have the option to write off the full cost of eligible capital assets acquired from 7:30pm AEDT on 6 October 2020 and first used, or installed for use, by 30 June 2023. Businesses with aggregated annual turnover of less than $50 million can also apply full expensing to second-hand assets. Transitional arrangements apply for businesses with aggregated annual turnover between $50 million and $500 million, who wish to expense eligible second-hand assets costing less than $150,000.

Profile's view: The extension is designed to encourage businesses to make further investments and to create jobs. This increased demand benefits businesses who manufacture and supply equipment. A potential issue will be whether the assets can be sourced and delivered due to worldwide manufacturing shortages.

For those businesses who have the cashflow available, we expect a surge in demand for capital equipment. However, businesses who are suffering significantly reduced cashflows may not be able to fund new capital equipment purchases – even with the incentive of an instant tax write-off.

Tax relief for brewers and distillers

Date of effect: 1 July 2022

Who's affected: All eligible brewers and distillers.

From 1 July 2021, brewers and distillers will receive full remission of any excise they pay alcohol production up to a cap of $350,000 each Financial Year.

This is an increase up from the previous 60% refund and cap of $100,000 pre-budget.

Profile's view: According to the Australian Distillers Association and Independent Brewers Association there has been growth in the number of brewers and distillers and demand for craft alcohol in Australia. With a lot of manufacturers located outside of the major cities such as Mudgee NSW, this announcement will provide incentive for both increased business and employment opportunities, as well as the potential for increased tourism, particularly in rural areas suffering from years of drought.

SOCIAL SECURITY

The Pandemic has resulted in wide ranging challenges for the Government, and the need to protect and assist Australia's most vulnerable citizens from the economic impact of COVID-19 has been a clear priority. In the past few months, ensuring that the safety-net remains relevant and is scaled back appropriately is now the focus. The measures announced in the Federal Budget are designed to continue this process of support.

In addition to this, the findings of the Royal Commission into Aged Care Quality and Safety have left the Government with no choice but to prioritise the care of senior Australians. The measures announced, include significant spending on reform, training, and support and the opening of additional packages for Home Care, all of which is desperately needed.

The key Social Security announcements included:

Pension Loan Scheme

Date of effect: 1 July 2021 **Who's affected: Qualifying Pension recipients.**

The current Pensions Loan Scheme (PLS), which provides pensioners with the ability to access the equity in their homes to assist in meeting living costs in retirement, will be improved in two ways:

1) A No Negative Equity Guarantee will be created so that borrowers, or their estate, will not be required to repay any more than the market value of their property, in the rare circumstance where their accumulated PLS debt exceeds their property value.

2) Lump sum advances for eligible pensioners. This will enable an eligible pensioner to receive one or two lump sum advance payments totalling up to 50% of the maximum Age Pension each year. Based on current Age Pension rates, this is around $12,385 per year for singles and around $18,670 for couples combined.

It is important to note that there is a total loan limit, which Centrelink calculates with reference to the value of your home and an interest rate of 4.50% pa, compounded fortnightly is also applied.

Profile's view: This measure presents an opportunity for pensioners, who may be finding it hard to meet their cost of living. It also may benefit pensioners who wish to increase their annual spending by accessing the equity in their homes to improve their cash flow. As noted above, there is a limit on the amount that can effectively be borrowed, and caution should be exercised on the "type" of expenditure this is used for to ensure longevity of cashflow and continued flexibility over your lifetime.

Profile is pleased to see that the scheme's new enhancements offer more protection to borrowers, specifically, that their estate or beneficiaries will not be required to repay any debt that is not covered by the market value of the family home. Furthermore, the ability to access lump sum payments should allow those that would normally need to save regularly to fund large purchases sooner, like necessary home improvements, or the upgrade of your car.

It is also important to note, the total amount eligible pensioners can receive under the PLS is 150% of the maximum Age Pension ($37,155 per year for singles and $56,011 per year for couples), including any lump sum advancements.

Changes to the JobSeeker Payment

Date of effect: 1 April 2021 – 1 July 2021 **Who's affected: Jobseeker recipients.**

It is fair to say that the combination of JobKeeper and JobSeeker payments over the past 12 months helped the Australian economy to avoid the worst of the global economic impacts of the pandemic. Making sure the economy continues to bounce back is the priority, and so, it is necessary for these measures to have been progressively scaled back and retaining the JobSeeker payment is a measure we support.

In terms of the JobSeeker payment going forward, the Government announced two changes:

- The JobSeeker Payment has increased by $50 per fortnight. This was already implemented on 1 April 2021 but was confirmed in the budget measures.
- To implement a graduated return to the normal job search requirements, the announcements included an increase in the number of job applications required by JobSeeker recipients from 15 per month from April 2021 to 20 per month by 1 July 2021.

Pleasingly, some further measures from the old Newstart Allowance have been added to the new Jobseeker requirements, such as the *Work for the Dole* scheme. Under this measure, JobSeeker recipients will be required to participate in this scheme, once they have been on JobSeeker for a period of six months.

Profile's view: Though the JobSeeker and JobKeeper payments have helped the Australian economy to avoid the worst of the global economic impacts of the pandemic, the new measures that have been proposed are now designed to encourage JobSeeker recipients to find work as soon as possible. This is a positive move and getting as many people as possible back into paid employment and achieving personal success should have a lasting impact on them, their families and the economy.

Aged Care - Increased Funding for Home Care

Date of effect: 3 phases beginning 1 July 2021

Who's affected: Those waiting for a home care package.

With an ageing population quickly heading towards their care years, and with the 148 recommendations of the Royal Commission into Aged Care Quality and Safety firmly in mind, the proposed reforms for the Aged Care system needed to be a centrepiece of the budget, to try and restore confidence in the system and improve the quality of care.

What we received was a 5-year reform plan at an estimated cost of $17.7 billion, which includes:

- $6.5 billion dollars has been allocated to funding an additional 80,000 Home Care packages, with 40,000 to be delivered in 2021-22 and 40,000 in 2022-23.
- $798.3 million has been allocated to provide additional respite care services and payments to support carers.
- Training for 13,000 new Home Care workers will be funded over the two years from 2021-22 and the Government has committed to designing a plan for a new Home Care program to better meet the needs of senior Australians.

Profile's view: Currently there are approximately 100,000 people on the waiting list for Home Care packages, and whilst this number may be less in reality due to some people declining support, the introduction of additional packages will go some way to addressing the real need in the community.

Whilst many senior Australians will transition from Home Care to Residential Care in the coming year, the need for Home Care is likely to increase with the ageing population and further funding will be needed.

To apply for a Home Care package, you will need to undergo an assessment with an Aged Care Assessment Team (ACAT) before pursuing your options further. Further information regarding this can be found on the myagedcare.gov.au website.

Aged Care - Increased Funding for Residential Aged Care

Date of effect: 3 phases beginning 1 July 2021

Who's affected: Senior Australians in residential aged care, or those considering a move into residential aged care.

Under these proposals the Government has also sought to improve access to care, information, support, and training, including:

- $7.8 billion for a new funding model for residential aged care, including the introduction of a Government funded Basic Daily Fee Supplement of $10 per day payable to Aged Care providers.
- $189.3 million over four years from 2020/21 to implement the new funding model – The Australian National Aged Care Classification. This change in model may result in significant changes to Aged Care fees, however, insufficient policy details have been provided to determine the effects to individual clients over the short-term.
- $117.3 million to support structural reform, including the implementation of a new Refundable Accommodation Deposit Support Loan Program.
- Introducing a new star rating to compare providers on performance, quality, and safety.
- Upskilling of the current Aged Care workforce and training of new care workers along with financial support for Registered Nurses.

- An increase in the number of front-line care minutes per day delivered to residents, mandated to be 200 minutes by 2023; and
- Developing a new Aged Care Act.

Profile's view: At this stage, the focus of the reforms is all at a top level, with no changes to the consumers' funding obligations in respect to the calculation of accommodation and ongoing care costs (the Basic Daily Fee Supplement is paid directly to the provider and does not affect consumers). Whilst this should go some way to restoring confidence and trust in the system, managing the costs associated with Aged Care is the focus for many of our clients and needs to be simplified. As such, we will continue to help our clients navigate the mind field of issues and decision points associated with Aged Care.

National Disability Insurance Scheme (NDIS)

Date of Effect: 1 July 2021 **Who's affected: NDIS recipients.**

Supporting people with disabilities and ensuring the stability of the NDIS is an imperative for the Government.

To ensure that the NDIS is fully funded, the Government announced additional funding of $13.2 billion over the 4 years to 2023-24. Along with the States and Territories, this brings the Government's investment to $122 billion over the coming 4 years.

Profile's view: The costs associated with the NDIS continue to grow at a rate much greater than was initially considered under the original framework. The challenge for the Government is to continue to work with the States and the Territories to work out ways of collaborating to guarantee the affordability of the system for those who need it now and in generations to come.

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