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Complete Financial Planning Newsletter

IMPORTANT INFO:

- Welcoming Michelle Jensen to the CFP Team. Some of you may have already spoken with her, as she has been with us on the Reception desk since late Feb this year. Michelle works Tuesday – Friday as Receptionist and Administration Assistant. Previously Michelle had worked for BT as an Adviser Assistant for 14 years.
- We are now using software called DocuSign. This will allow you to sign documents electronically on your computer/phone/tablet without having to print them off, which will hopefully save a lot of time wasted in the postal system.
- Emma & Kathy have just sent through their final assignment for Client Engagement. Now awaiting results before deciding when to enrol in their next subject.
- Lisa has just celebrated her 2-year anniversary with us and is now working full time.
- The office will now be open on Fridays 8.30am – 5.30pm, with both Lisa & Michelle in.
- Kathy will also be in the office Fridays but will work from home on Mondays instead.
- Evelyn is back with us working Mondays and Tuesdays between 9.15 – 2.15 helping with administration.
- Emma will be in the office and seeing clients Monday, Tuesdays and Thursdays and will work from home Wednesdays and Fridays.
- Kelli is still working remotely in Collie, Monday – Thursday.
- ***Reminder: Please remember to let us know of any personal details that need to be updated when we contact you before your review. If there have been no changes, please also let us know that the details we hold are current.***

ARTICLE FOR THIS MONTH:

FEDERAL BUDGET 2021: WHAT YOU NEED TO KNOW

General Advice Warning:

The information in this newsletter is of a general nature. We encourage you to contact us before making any financial decisions, so we consider your personal situation and ensure the advice is right for your circumstances.

Superannuation changes:

Increasing the maximum releasable amount to $50,000 under the First Home Super Saver Scheme

Under existing First Home Super Saver Scheme (FHSSS) rules, a person can only apply to have up to $30,000 of their eligible voluntary contributions plus a deemed earnings amount released from super to purchase their first home.

However, the Government is intending to increase the maximum releasable amount for the FHSSS from $30,000 to $50,000.

The measure is expected to take effect on 1 July 2022 pending the passage of legislation through Parliament.

What this could mean to you

This could allow you to use the tax concessions associated with super to save an even larger deposit towards the purchase of your first home.

Super Guarantee rate increase going ahead

Notably, the Federal Budget did not mention the legislated increases to the Super Guarantee, leading to the assumption that the changes will take place from 1 July 2021 as planned.

As a result, employers must pay 10% of their employees' earnings into their nominated super fund from 1 July 2021, up from the current rate of 9.5%.

What this could mean for you

If you're an employee and receiving Super Guarantee contributions, your employer will start contributing an additional 0.5% of your earnings to super for you from 1 July this year.

Removal of the $450 per month minimum Super Guarantee threshold

The Government has announced its intention to remove the $450 per month minimum Super Guarantee income threshold.

Under the current rules, an employer is not required to pay super guarantee contributions for an employee who earns less than $450 per month.

The measure is expected to take effect on 1 July 2022 pending the passage of legislation through Parliament.

What this could mean for you

If you do a small amount of paid work each month, or you work multiple jobs each paying less than $450 per month, your employer will be required to start paying super guarantee contributions for you. If you are a student studying at university this will also help you start accumulating a retirement nest egg a little earlier.

End of the work test for after-tax contributions for people aged up to 74

People up to the age of 74 will be able to make or receive after-tax (including under the bring-forward rule) or salary sacrifice super contributions without meeting the work test, subject to existing contribution caps.

However, people up to the age of 74 wanting to make personal tax-deductible contributions will still have to meet the existing work test.

The measure is expected to take effect on 1 July 2022 pending the passage of legislation through Parliament.

What this could mean for you

If you're a retiree under age 75, you'll have more flexibility to top up your super without needing to work at least 40 hours in 30 consecutive days in a year before making a contribution. Further, your fund will be able to receive salary sacrifice contributions for you without needing to confirm you satisfy the work test first.

Reduction of the eligibility age for downsizer contributions to 60

Anyone 60 years of age and older will be eligible to make a downsizer contribution. The downsizer contribution allows people to make a one-off after-tax contribution to super of up to $300,000 from the proceeds of selling their home they have held for at least 10 years.

Under the rules both members of a couple can make downsizer contributions in respect of the same home, and the contributions do not count towards a member's non-concessional contribution caps.

The measure is expected to take effect on 1 July 2022 pending the passage of legislation through Parliament.

What this could mean for you

If you're an eligible couple in your early sixties, you can potentially sell your home to contribute up to $1.26m to super in a year via a combination of $300,000 downsizer contribution and $330,000 non-concessional contribution each.

However, if you're a person in your early sixties wanting to contribute a much smaller amount, it might be a good idea to see an adviser to get advice on what type of contributions you should make.

For example, if you have $300,000 from the sale of your home that you wanted to contribute to super, you might be better off making a $300,000 after-tax contribution under the bring-forward rules in order to preserve your ability to make a downsizer contribution in the future.

End of the Government's temporary halving of the account based pension minimums.

In early 2020, the Government made some changes to pension payments that were designed to help people who were under financial stress as a result of some of the economic impacts of Coronavirus. One of these changes was the temporary halving in the minimum amount people were required to take from their pension account. This reduction finishes on 30 June 2021, which means that the standard minimum drawdown requirements will apply from 1 July 2021.

What this could mean for you

If you have been receiving pension payments in 2020–21 that fall below the normal minimum that will be required in 2021–22, you're likely to see an increase in the pension you receive from July 2021. For example, if your total annual pension payment is currently 2% of your account balance, in the 2021–22 financial year it will increase to 4% of your account balance. Please note that this percentage is dependent on your age on 1 July each year.

Tax changes:

Retaining the Low and Middle Income Tax Offset for the 2021–22 income year

The Low and Middle Income Tax Offset (LMITO) was due to be removed at the end of the current financial year. However, the Government has announced it will retain LMITO for the 2021–22 income year. The LMITO provides a reduction in tax of up to $1,080, as follows:

2021–22 Taxable income	Low and Middle Income Tax Offset
$37,000 or less	$255
Between $37,001 and $48,000	$255 plus 7.5 cents for every dollar above #37,000 up to a maximum of $1,080
Between $48,001 and $90,000	$1,080
Between $90,001 and $126,000	$1,080 minus 3 cents for every dollar of the amount above $90,000

What this could mean for you

If you earn between $48,000 and $90,000 you were due to see an increase of $1,080 in income tax for the 2021–22 income year. With the extension of the LMITO, that will no longer happen, effectively giving you a tax cut. Other people with a taxable income of between the effective tax-free threshold and $126,000 will receive a smaller tax cut.

Modernising the individual tax residency rules

The rules relating to individual tax residency are complicated and the Board of Taxation has recommended they be replaced with a new, modernised framework. A new 'primary test' will deem anyone who is physically present in Australia for 183 days or more in any income year to 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.

What this could mean for you

The modernised rules will provide certainty about whether someone is a resident for tax purposes and therefore simplify their tax arrangements.

Extending temporary loss carry-back

Ordinarily, companies are required to carry losses forward to offset profits in future years.

The Government has announced that it will extend the temporary loss carry-back measure a further 12 months to allow companies with aggregated annual turnover of less than $5 billion to carry back tax losses from 2019–20, 2020–21, 2021–22 or 2022–23 income years to offset previously taxed profits in the 2018–19 or later income years.

What this could mean for you

If you are an eligible business owner, the temporary carry-back measure will allow you to access losses earlier than before. You may also be able to generate a tax refund to provide a cash flow boost for your corporate business.

Temporary full expensing

Businesses with aggregated annual turnover within the relevant threshold will be able to deduct the full cost of eligible capital assets acquired from 7:30pm AEDT on 6 October 2020 (Budget night) and first used or installed by 30 June 2023 (extended from 30 June 2022 previously).

- Full expensing in the year of first use will apply to new depreciable assets and the cost of improvements to existing eligible assets for businesses with aggregated annual turnover of less than $5 billion.
- Full expensing also applies to second-hand assets for small and medium sized businesses with aggregated annual turnover of less than $50 million.

What this could mean for you

Business owners can fully deduct the business portion of assets first used or installed for an extra 12 months, until 30 June 2023.

Please don't forget…

Our success is a result of referrals from clients and friends like you. We could always use a few more. So, if you have children, family members, friends or colleagues that may need some advice, please pass our details to them.