25 May 2022

Federal Election 2022 – what could this mean for you?

A number of changes were proposed by the Government during the election campaign, and support was also announced for a number of proposals made by the previous Government. So where do things stand, what's next, and how could these proposals impact you? Below is a summary of some of the key announcements to date, and the opportunities which may exist.

Change is on the horizon

The recent Federal Budget and Federal election have resulted in a number of proposed changes to social security, support for homebuyers, and superannuation. In addition, a number of changes relating to superannuation are coming into effect from 1 July 2022 – which may provide even greater opportunities.

While change may bring opportunity, it's worthwhile receiving professional advice to understand how the changes apply to you and also whether they are appropriate for your circumstances. The summary below is based on information that had been announced up to the date of publication.

When will these changes take effect?

The announcements made prior to the election are proposals only and legislation (or other formalities) will need to be passed for these measures to take effect. The Government's position on these proposals and commencement dates may change and details need to be confirmed.

Proposals at a glance

Support for social security recipients

Extending eligibility for concession cards, freezing deeming rates, and support for people selling their home

Support for home buyers

The Regional Home Guarantee and Help to Buy schemes may assist first home buyers

Downsize your home and increase your super

The eligible age to make a downsizer contribution is proposed to decrease to 55

Social security measures

Freezing of deeming rates

Proposed commencement: 1 July 2022

Proposed change

The Government has committed to freezing deeming rates for two years until 2024. This may benefit you if you're receiving an income tested pension or allowance, or are a concession card holder. While the deeming rates are subject to periodic change, the current deeming rates have been in effect since 1 May 2020.

The deeming rates and thresholds are shown in the table below. As explained in the table, the deeming rates are based on the amount of financial investments you hold, and increase based on assets held above a certain level.

Deeming rate	Single	Couple (includes illness separated)
0.25%	First $53,600	First $89,000
2.25%	Above $53,600	Above $89,000

Note: The deeming thresholds ($53,600 and $89,000) are indexed on 1 July each year in-line with the Consumer Price Index (CPI).

What is deeming and how does deeming work?

Many social security payments have an income and assets test to determine eligibility for a payment or benefit. The test which provides the lowest entitlement is generally the test used to determine your payment.

In addition, eligibility for some concession cards which have an income test may also be impacted by the deeming rules. Examples are the:

- Low Income Health Card, and
- Commonwealth Seniors Health Card (which in addition to adjusted taxable income, may also consider deemed income from certain superannuation income streams- see below).

When determining entitlement to some payments and concessions under an income test, taxable income is not always the determining factor. To determine how much income is derived from certain types of investments, a 'deeming rate' is used is certain circumstances. This is an assumed rate of return on certain investments, and actual income earned from those investments is ignored. For example, the balance of your bank account and the value of your shareholdings may have a deemed rate of return. Actual interest earned, capital gains and dividends you receive, which generally form part of your taxable income, are ignored under deeming.

What assets are subject to deeming?

Financial investments and certain other assets have income determined based on the deeming rules. The most common examples include:

- the balance of a bank account, including term deposits
- the amount held in an offset account
- the value of listed and unlisted shares
- managed investments
- the balance of your super accumulation account (once you reach your Age Pension age) and certain retirement income streams in some cases, and
- amounts that you have gifted that are in excess of the allowable gifting limits.

Will this change impact you?

This change will not in itself cause an increase in your entitlement to a payment or concession card. This is because the proposal is to freeze the deeming rates, rather than to decrease them. As a result your 'income' for certain social security purposes won't decrease as a result of this proposal. However, as the income limits that apply to payments and concession cards are generally indexed each year, this could mean that you're able to hold greater levels of financial investments without impacting your entitlement, compared to a situation where deeming rates were to increase.

Also, if your payment entitlement is currently determined under the assets test, this proposal won't impact you.

What do you need to do?

You don't need to do anything – Centrelink or the Department of Veterans Affairs (DVA) will automatically calculate your entitlement based on the information you've provided to them. If deeming rates change in the future, your entitlement will be automatically adjusted if applicable.

Increasing eligibility for the Commonwealth Seniors Health Card

Proposed commencement: 1 July 2022

Proposed change

The Commonwealth Seniors Health Card (CSHC) may be available to you if you've reached your Age Pension age, but don't qualify for the Age Pension due to the income and/or assets test. The CSHC has an income test which is used to determine eligibility for the card.

It is proposed that the income test eligibility thresholds will be increased as below:

	Current	Proposed from 1 July 2022
Single	$57,761	$90,000
Couple	$92,416	$144,000
Illness-separated couple	$115,522	$180,000

What income is assessed?

Eligibility for the CSHC is based on an income test only. No assets test applies. The income test for the card is based on adjusted taxable income (ATI), plus deemed income from certain retirement income streams. Adjusted taxable income includes:

- taxable income
- foreign income
- tax-exempt foreign income
- total net investment losses
- reportable fringe benefits
- reportable superannuation contributions, and
- deemed income from certain superannuation income streams.

What do I need to do?

If you're an existing cardholder, you don't need to do anything. You'll retain your entitlement to the CSHC.

If you think you might become eligible for the card, you'll need to lodge an application with Centrelink. In addition to meeting the income test and age requirements, there are a number of other eligibility rules. Generally you must:

- be residing in Australia
- be an Australian resident, a holder of a permanent residency visa or a holder of a Special Category Visa
- not be receiving a Government pension or a benefit or an income support supplement from the DVA, and
- quote your tax file number (and partner's tax file number if applicable).

You will also need to provide a range of documents to Centrelink to substantiate your income, and to identify yourself if you're not an existing social security recipient. More information can be found on the Services Australia website.

Demonstrating income

Eligibility is generally determined by considering the financial year immediately prior to the year of application, relying on information lodged in your tax return. For example, if you become eligible for the card on 1 July 2022 assuming the income test changes are implemented, the 2021/22 financial year would generally be used to determine your entitlement. However, you may not have received a Notice of Assessment for the 2021/22 year at the time your application is lodged.

If this is the case, your adjusted taxable income in the 2020/21 year may instead be used. If you believe your income has changed significantly since that time (eg due to retirement, illness or certain other one-off events), you may be able to use an estimate of income instead. You would generally need to provide a Notice of Assessment or other evidence to be supplied to Centrelink as soon as possible to substantiate your estimate.

What benefits are provided to CSHC holders?

A number of benefits may be provided to cardholders. Some of these benefits are state based and vary, depending on your location. Some of the benefits may include:

- cheaper medicine under the Pharmaceutical Benefits Scheme
- refunds for medical costs when the Medicare Safety Net is reached
- bulk billed doctor visits at the clinic's discretion , and
- certain State, Territory and Local Government concessions such as utility bills, property and water rates, public transport and motor vehicle registration. Click on your location below to see a range of benefits that may be available in your location.
  - Australian Capital Territory
  - New South Wales
  - Northern Territory
  - Queensland
  - South Australia
  - Tasmania
  - Victoria
  - Western Australia

Extending the exemption on home sale proceeds

Proposed commencement date: 1 January 2023

The Government has proposed to extend the existing 12 month exemption that applies if you're a social security recipient, and you sell your primary residence. The exemption applies to a certain potion of the sale proceeds of your home under the assets test. The proposal is to extend the exemption for an additional 12 month period.

How does this work?

The assets test exemption applies to the portion of the sale proceeds that you intend to use to purchase, construct or renovate a new primary residence. The extension applies until you've purchased, renovated or built your new residence, or for 12 months, whichever is earliest. The exemption under the assets test may mean your entitlements are not impacted during that period.

An extension may be applied for a further 12 months in certain circumstances, where there is a delay outside of your control, however this is at the discretion of Centrelink/DVA.

Note that there is no income test exemption and the full sale proceeds may be assessed under the income test (depending on what you do with the funds). After the expiration of the exemption period, any sale proceeds that you haven't used for a new home will again be assets tested.

What do I need to do?

This change is not proposed to commence until 1 January 2023. If you're thinking about selling your primary residence, you should speak to your financial adviser to understand how this change might apply to you.

Housing

Regional First Home Buyer Support Scheme

Proposed commencement: January 2023

The Regional First Home Buyer Scheme is proposed to provide support for 10,000 first home buyers to purchase a home in regional Australia.

The Government will guarantee up to 15% of the eligible purchase price which would allow mortgage insurance to be avoided. To be eligible to participate in the scheme, you must:

- live outside a capital city and have been living in the region for at least 12 months
- be over 18, an Australian citizen and first home buyer
- live in the property purchased, and
- have taxable income of up to $125,000 pa (single) or $200,000 pa (couples).

Property price thresholds will also apply based on the region in which the property is located.

The scheme applies to existing properties as well as house and land packages, off-the-plan apartments and land purchased with contract to build. The price caps will be reviewed on a six-monthly basis and consider the re-allocation of any unused guarantees.

It is understood that the scheme will operate alongside other existing support measures and concessions for first homebuyers, including the First Home Super Saver Scheme, and other state-based concessions and incentives, such as stamp duty concessions and first home buyer grants. For information about state-based support measures, contact the Office of State Revenue in your location.

Help to Buy scheme

Proposed commencement: Not yet announced

How does it work?

The Government has proposed to introduce the Help to Buy scheme, which is a shared equity scheme. Support will be available for up to 10,000 people each year.

If you're eligible, the scheme will provide support for up to:

- 40% of the purchase price of a new home, and
- up to 30% for an existing home.

You will be required to have at least a 2% deposit, and Lenders Mortgage Insurance will also be avoided.

To be eligible you must:

- be an Australian citizen
- be aged at least 18
- earn less than the annual income cap ($90,000 for singles and $120,000 for couples)
- not own other property or land anywhere in the world
- live in the purchased home as the main residence, and
- pay all associated purchase costs, including all fees and duties, as well as all ongoing property costs.

After the initial purchase, it is proposed that you will be able to purchase additional interests in the property from the Government (minimum of 5%). There is no requirement to pay rent to the Government for its share in the property.

Important to know

It is important to understand that it is proposed that where your income exceeds the annual income cap for two consecutive years, this will trigger a requirement to either fully or partially repay the Government's contribution to your purchase, which may be based on your affordability.

It is not currently clear how this will be determined and the way in which a partial liability to repay would be calculated, particularly with consideration of your capacity to pay. It is very important to discuss with your financial adviser, the impact on your future circumstances, should this arise.

Care should be taken to understand how payment receipts such as bonuses, taxable termination payments, taxable social security payments as well as the assessable component of a withdrawal under the First Home Super Saver Scheme could impact this requirement.

Property price caps

Similar to other Government Guarantee schemes to support first homebuyers, and families, it is property price caps will apply based on location. You can find out more information about property price caps on www.nhfic.gov.au.

Superannuation

Expanding the Downsizer Contribution opportunity

Proposed commencement: 1 July 2022

Proposed change

The eligibility age for downsizer contributions is already legislated to be reduced from 65 to 60 from 1 July 2022. The Government has proposed to further reduce the eligibility age to 55 from 1 July 2022.

What are downsizer contributions?

Downsizer contributions allow eligible individuals to contribute some or all of the proceeds of the sale of their home to superannuation, without impacting other contribution caps. Unlike other types of contributions, such as personal after-tax contributions, downsizer contributions do not have a total super balance limit, or an upper age limit. This means it could be a great, sometimes final way to boost your super if you don't meet other eligibility rules to contribute, or where your other contribution caps have been earmarked for other purposes.

Contribution limits

Provided certain other conditions are met, it may be possible to contribute up to $300,000 per person (or $600,000 per couple) from the proceeds of selling your home.

Downsizer contributions won't count towards your concessional or non-concessional contribution (NCC) caps. You'll need to make the contribution within 90 days of settlement of your sale. You also need to complete the Downsizer contribution to super form to notify your fund that you're making a downsizer contribution which must be submitted no later than the time your contribution is made. You must have reached the eligibility age at the time of contributing.

What is the possible benefit?

Aside from super being a concessionally taxed investment, there are a number of other ways a downsizer contribution could benefit you. Funds in super accumulation phase are an exempt asset for social security purposes while you are under your Age Pension age. This could help increase or maintain your or your spouse's entitlement to a pension or other benefit. Also, making a downsizer contribution together with an NCC could help you contribute even more of your home sale proceeds into the concessionally taxed super environment.

What do I need to do?

If you're planning to sell a property, speaking to a financial adviser is a great way to work out if you're eligible to make a downsizer contribution. For more information you can visit ato.gov.au. Also, if you've recently sold or are in the process of selling a property and you'd considered contributing some of the sale proceeds to super, now is a great time to speak to your financial adviser to understand whether you could benefit from this change, as well as explore other opportunities for you.

What next?

It is important to remember that at this time, these proposals are not yet law. You should not act on any of these announcements until they are legislated, or take effect. It is also important to speak to your financial adviser for more information about the changes and to understand how they may provide opportunities for you.

AMA FINANCIAL SERVICES

Should you need financial advice you can book a free online consultation with an AMA Financial Services advisor by visiting **www.amafinancialservices.com.au**. Alternatively you can call on **1800 262 346** or email **advice@amafp.com.au**.

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