FEDERAL BUDGET ANALYSIS

MAY 2018

CONTENTS

THE ECONOMY AND MARKETS

The Government is forecasting an underlying cash deficit of -$14.5 billion this year, an improvement of approximately $7 billion from the $21.4 billion deficit forecast at last year's Budget. The Budget is also forecasting a return to balance in 2019-20 before moving into a surplus position of $11 billion in 2020-21.

Underpinning the improved budget position is Australia's strengthening economy and healthy jobs growth figures. The Government claims over a million jobs have been created since 2013 when they came into power. More jobs and stronger corporate revenue (courtesy of reduced tax losses and higher commodity prices) have seen tax revenue come in much higher than anticipated over the past 12 months. A welcome result!

The Government's response to the uplift in tax revenue, noting that there is an election pending, is to reward the swinging voters in the low to middle-income tax bracket with income tax cuts from 1 July this year. This decision has been met with a degree of cynicism in some quarters given the Government's stated commitment to fiscal discipline. Some question why the Government wouldn't use the additional revenue to pay off our national debt or get the budget deficit in stronger shape more quickly?

Note broader tax cuts are also on the table, but not until 2022. The planned Medicare levy increase of 0.5% from 1 July 2019 (introduced in last year's Budget) has been abandoned. Spending is primarily being channelled into nation-building infrastructure (a pro-growth measure) and the aged care sector.

There is no argument that Australia's economy is currently in relatively good shape. Fundamentals are strong. Our AAA credit rating remains intact. Australia has also benefited from the global economy, where growth has risen to its fastest pace in 6 years. The question is whether this is sustainable over the next few years and whether the rosy forecasts will survive the impact of rising global interest rates and a fast-maturing business and economic cycle. In its own words, the Government concedes that there are key uncertainties around the strength of the pick-up in non-mining business investment and the degree of spare capacity in the labour market.

From a capital markets point of view, we consider the income tax cuts will be well received. However, we do not anticipate the key budget measures will move the dial in any major way for investment markets or trigger an immediate response from the Reserve Bank of Australia with respect to monetary policy.

Key points

- The government expects the Budget to return to surplus by 2019-20.
- Tax receipts have been revised up by $25.9 billion over 4 years. The Government is relying on an improved labour outlook, improved mining profitability off the back of higher commodity prices and robust consumption from higher wage growth and personal income cuts.
- Introduction of a 7 Year Personal Income Tax Plan implemented in a number of steps, starting from 1 July 2018 by reducing bracket creep through increasing the income tax bracket from $87,000 to $90,000. From 1 July 2024 the 37% tax bracket will be replaced with a top marginal tax rate of 32.5% for taxpayers on incomes up to $200,000.
- New spending on national infrastructure projects.
- Increased spending on home-based aged care.

Key Treasury forecasts

	2016-17	2017-18	2018-19	2019-20	2020-21
Underlying cash balance	-33.2	-18.2	-14.5	+2.2	+11.0
% of GDP	*-1.9*	*-1.0*	*-0.8*	*+0.1*	*0.5*
Net operating balance	-32.1	-12.6	-2.4	+8.6	+19.6
% of GDP	*-1.8*	*-0.7*	*-0.1*	*+0.4*	*+0.9*

Key economic forecasts (%)

	2016-17	2017-18	2018-19	2019-20	2020-21
Real GDP	2.1	2.75	3.0	3.0	3.0
Employment	1.9	2.75	1.5	1.5	1.25
Unemployment rate	5.6	5.5	5.25	5.25	5.25
CPI	1.9	2.0	2.25	2.5	2.5
Wage price index	1.9	2.25	2.75	3.25	3.5
Nominal GDP	5.9	4.25	3.75	4.75	4.5

Source: Budget Strategy and Outlook Budget Paper No. 1 2018-19

Key budget measures (revenue contributors in this Budget over 4 years)

	$bn
Black economy package – illicit tobacco	3.7
Black economy package – new and enhanced ATO enforcement	3.0
Changes to R&D tax incentive rates	1.4
Personal income tax – ensuring individuals meet their tax obligations	1.1
Research & development tax incentive - compliance	1.0
Snowy Hydro acquisition	0.9
Black economy package – further expansion of taxable payments reporting	0.8
Protecting your super package – changes to insurance in superannuation	0.8

Source: https://www.budget.gov.au/2018-19/

Key budget measures (expenditure increases in this Budget over 4 years)

	$bn
Personal income tax plan	-13.4
Personal income tax – retaining the Medicare levy rate at 2%	-12.8
In-home aged care packages	-1.6
Pharmaceutical benefits scheme	-0.7
Infrastructure, regional development and cities portfolio	-0.5
Remote indigenous housing	-0.4
Backing small business investment – further extending the immediate deductibility threshold	-0.4
Federal interstate registration scheme closure	-0.3

Source: https://www.budget.gov.au/2018-19/

Asset class impacts

We consider the announced budget measures will deliver a modest but temporary boost to the economy, particularly for low and middle-income earners. However, we do not foresee any major flow through impact across investment asset classes. Consumer sentiment and consumption may well pick up in the short term but big business including the Banks will not be celebrating any time soon. The Bank levy remains and the proposed cut in the corporate tax rate has been earmarked for 2026-27.

SUPERANNUATION

Maximum members of an SMSF to increase from 4 to 6

Date of effect: 1 July 2019 **Who's affected: SMSFs**

The Government's proposal is to increase the maximum number of allowable members in new and existing self-managed superannuation funds (SMSFs) and small APRA funds from four to six.

Profile's view: This is a welcome change. It provides greater flexibility, allowing larger families to operate under a single SMSF rather than multiple SMSFs, which can be costly.

For SMSFs that are looking to purchase real property, it should enable greater purchasing and/or borrowing power. It could also allow more efficient cashflow planning, with younger members' contributions assisting to meet parents' pension drawings, thereby minimising the need to sell assets to replenish cash.

Control could become a greater issue with more members. We would encourage Trustees inviting their children into their existing SMSF to ensure that they have a Binding Death Benefit Nomination in place. It would also be prudent to review the SMSF Trust Deed to determine how voting works. Is it based on member balances or simply membership? We're sure that a surviving spouse would not be pleased if their children decided to out-vote them and distribute the deceased member balance to themselves!

Less SMSF audits for good record keepers

Date of effect: 1 July 2019 **Who's affected: SMSFs**

SMSFs that have kept their house in order with good record-keeping and lodgement/compliance history (i.e. three consecutive clear audit reports and timely lodgements of annual returns) will move from an annual audit to a three-yearly audit.

Profile's view: This is a good outcome for those SMSFs that are compliant and lodging on time, providing them with a cost saving. It underlines the importance of efficient and timely administration on the part of both trustees and SMSF service providers. We would also encourage Trustees who may be eligible to consider getting an audit within the 3-year window if they implement a major change in their investment strategy, such as introducing collectibles or other exotic investments. We believe an audit under such circumstances would be prudent to ensure ongoing compliance.

Recent retirees to be exempted from the work test for one year

Date of effect: 1 July 2019 **Who's affected: Recent retirees aged 65-74 with under $300k in super**

The Government plans to introduce an exemption from the work test for voluntary contributions (i.e. both concessional and non-concessional) for retirees aged 65 – 74 with a total superannuation balance below $300,000 at the end of the financial year in which they last met the work test.

The work test currently requires individuals who are 65-74 to have worked at least 40 hours within 30 consecutive days in the financial year of the contribution.

The exemption is available only for the first 12 months from the end of the financial year in which the individual ceased work.

Once eligible, there is no requirement to remain under the $300,000 balance cap for the duration of the 12-month period.

Individuals will also be able to access unused concessional cap space to contribute more than $25,000 under existing concessional cap carry forward rules during the 12-month period. The 'bring forward' rule for non-concessional contributions will not be available under the work test exemption (as is the case for those aged 65 now).

Profile's view: This is a great outcome, allowing recent retirees additional flexibility in choosing the date of their retirement and organising their financial affairs. It will no longer be necessary to postpone retirement until early in a financial year to meet the work test one last time.

Preventing concessional cap breaches for high earning individuals

Date of effect: 1 July 2018

Who's affected: High-income earners with multiple employers

People who earn over $263,157 with multiple employers will have the ability to nominate that their wages from specific employers are not subject to the Superannuation Guarantee (SG). This avoids the individual breaching their annual concessional contributions cap (currently $25,000) due to otherwise compulsory SG contributions, which then gives rise to excess contributions tax as well as a shortfall interest charge.

Employees who use this measure can then negotiate receiving additional employment income in place of the mandatory SG.

Profile's view: This is a positive measure, provided the employee notifies their employers in a timely manner before mandatory SG contributions are made. It will be especially favourable in industries such as locum medical practitioners. Employees need to be careful that they are not 'short-changed' by their employers, by ensuring they receive more salary/wages or other benefits to replace the SG contribution.

Reducing super account fees and finding lost super

Date of effect: 1 July 2019

Who's affected: Super members (ex-SMSF)

Exit fees are to be banned from **all** superannuation accounts under this proposal. In addition, an annual cap of 3% on passive fees will apply to super accounts where the balance is less than $6,000.

Member super accounts with a balance of less than $6,000 that have not received a contribution for at least 13 months will be transferred to the ATO, which will reunite these funds with active accounts where possible in the year they are received.

Profile's view: This is a big win for those not engaged with their super or unaware of where all their super accounts may be held. The current regime allows balances to be eroded by fees and charges each year. The ATO will be relying on data matching via members' Tax File Numbers (TFN) to "reunite" various accounts. Given that the provision of a member's TFN is not compulsory to open a super account, the reunification may be a great idea, but unable to be implemented. Perhaps a measure to provide TFNs on opening will minimise future complexity?

The removal of exit fees should allow members to make a decision on where their superannuation is held without having to consider preclusive exit fees.

Default insurance inside super

Date of effect: 1 July 2019

Who's affected: Super members (except SMSF, defined benefit & Australian Defence Force members)

The proposal is to change the insurance arrangements in superannuation funds from a default framework, to an 'opt-in' basis for young members with low balances. Currently, members are required to 'opt out' of their default cover received automatically on joining.

The change applies to members:

- under the age of 25 years,
- with a balance less than $6,000, and
- with an account that has not received a contribution in 13 months and is inactive.

Importantly, these changes will not prevent anyone who wants insurance from being able to obtain it — low balance, young, and inactive members will still be able to opt-in to insurance cover within super. Those affected have 14 months to decide whether they will opt-in to their existing cover or allow it to be switched off.

Profile's view: This is a great initiative. There will be more money invested for those with low balances in super by ensuring their super is not unnecessarily eroded by premiums on insurance policies that they do not need or are not aware of. It should also reduce the incidence of duplicated insurance policies which members may not be able to claim on (e.g. two income protection policies).

Deduction Notices for personal contributions

Date of effect: 1 July 2018 **Who's affected: Those eligible to contribute to super**

The Government will provide funding to the Australian Taxation Office (ATO) to improve the integrity of the 'notice of intent' (NOI) processes for claiming personal superannuation contribution tax deductions.

Currently, some taxpayers receive deductions on their personal superannuation contributions but do not submit an NOI, despite being required to do so. This results in their superannuation funds not applying the appropriate 15% tax to this contribution. As the contribution has been deducted from the taxpayer's income, no tax is paid on it at all.

The ATO plans to amend income tax returns to alert individuals to the NOI requirements with a tick box to confirm they have complied.

Profile's view: Given the change in last year's budget to allow employees to claim a personal tax deduction for superannuation contributions, this is an increasing issue for taxpayers and the ATO. If an NOI is not lodged and tax deducted, the contribution will be deemed as non-concessional and could inadvertently lead to a taxpayer exceeding the non-concessional cap. The NOI is still a very manual process and hopefully, it can become more automated in the future.

TAXATION

Personal tax

Low & Middle Income Tax Offset

Date of effect: 1 July 2018 **Who's affected: Income earners up to $125,333**

This proposal is the first step in a broader Personal Income Tax Plan to provide a modest tax cut for individuals earning up to $125,333pa. The maximum benefits go to those earning $48,001 - $90,000. This new offset runs until 30 June 2022 and does not replace the existing Low-Income Tax Offset. It is applied after an individual's tax return is lodged at the end of the 2018/19 Financial Year and is non-refundable (that is, if your total tax bill is $0 and you have still unused offset, that remaining offset will not be refunded to you).

Taxable Income ($)	Low & Middle Income Offset received
0 – 37,000	Up to $200
37,001 – 48,000	*Up to $200 plus 3 cents per dollar over $37,001*
48,001 – 90,000	$530
90,001 – 125,333	*$530 less 1.5 cents for every dollar over $90,001*

Profile's view: This measure provides a deferred benefit to taxpayers, compared to an immediate cut in tax payable on a payslip. Who knows, it may incentivise people to complete their tax returns on time! Households may just save the benefit arising from a lower tax bill. Yet this is unlikely, with many experiencing real cost of living pressures, and so it is anticipated that it should flow through into the economy via increased spending.

Changes to Personal Income Tax Brackets

Date of effect: 1 July 2018 **Who's affected: Income earners from $87,000 and over**

This proposal is the second stage to address the issue of bracket creep, particularly for middle-income earners. The top end of the 32.5% tax bracket is to increase from $87,000 to $90,000 from 1 July 2018. Over the 7-year planning period, the end objective is to have the 32.5% tax bracket extended to $200,000.

From 1 July 2024, the final step will eliminate the 37% tax bracket. The proposed rates from the 2018/19 FY are outlined in the table below:

Tax Rate (%)	Existing Threshold ($)	New Threshold 1 July 18	Proposed Threshold for 1 July 22	Proposed Threshold for 1 July 24
0	**0 – 18,200**	0 – 18,200	0 – 18,200	0 – 18,200
19	**18,201 – 37,000**	18,201 – 37,000	18,201 – 41,000	18,201 – 41,000
32.5	**37,001 – 87,000**	37,001 – 90,000	41,001 – 120,000	41,001 – 200,000
37	**87,001 – 180,000**	90,001 – 180,000	120,001 – 180,000	-
45	**+180,001**	+180,001	+180,001	+200,001

Note: there are no changes to the existing 2% Medicare levy rate.

The above threshold increases will be further reinforced by an increase to the Low-Income Tax Offset (LITO) from $445 to $645 from 1 July 2022.

Profile's view: For the change effective 1 July 2018, the slight increase in the threshold to $90,000 delivers a modest saving of $135 a year. The increase in thresholds may help to offset the stagnant wage growth of the last 10 years, however, outside of this, we don't expect a big impact.

However, should the final stage eventuate and we see the abolishment of the 37% tax rate (leaving 94% of taxpayers paying no more than 32.5%) this would change the tax landscape considerably.

Flattening the personal income tax rates to align more with the corporate tax rate, is a strategy which can only be implemented off the back of a continuously growing economy. While Labour has agreed to the thresholds changes in July 18, it remains to be seen whether they support this longer-term plan. Given there will be two elections held before then, we will be watching this space with interest.

One of the consequences of changing the marginal tax thresholds is the effect on those receiving franked dividends. The biggest effect would be seen if the proposed thresholds in 2022/23 and 2023/24 are implemented. This effect is twofold, firstly for those receiving franked dividends from publicly listed companies and secondly for those receiving franked dividends from private companies.

The table below outlines the amount of cash dividends individuals can receive from fully franked dividends and have the tax already paid at a company level. It assumes the individual has no other taxable income. For those with private companies harbouring retained earnings, there is the ability to declare a larger fully franked dividend each year without additional tax falling due.

Individual Tax Payer

	Currently	2018/19-2020/21	2021/22-2022/23	2023/24 and beyond
Taxable Dividend Income	$137,422.00	$138,920.00	$159,920.00	$199,840.00
Tax paid (Franking Credits)	$41,226.58	$41,675.80	$47,975.80	$59,951.80
Cash Dividend Paid	**$96,195.40**	**$97,244.00**	**$111,944.00**	**$139,888.00**

* These figures are based on fully franked dividends at 30%.

Denying deductions for vacant land

Date of effect: 1 July 2019 **Who's affected: Vacant land owners**

Land owners will no longer be able to claim tax deductions for expenses associated with holding vacant land (e.g. interest costs). This does not include those using the land to carry on a business (including a business of primary production).

This measure is designed to target taxpayers who engage in land banking or hold vacant land with the hope it will be later rezoned to residential to on-sell to a developer at a higher price. While they are waiting, they benefit from claiming tax deductions for holding expenses against their other assessable income.

Expenses that are denied for a tax deduction, but would ordinarily be included in the land's cost base, may be included in the cost base for capital gains tax purposes when the land is eventually sold.

The deductions will be available for those who meet one of the following conditions:

- A property has been constructed on the land, it has received approval to be occupied and is available for rent; or
- The land is being used by the owner to carry on a business, including a business of primary production.

Profile's view: While deductions will be disallowed, any costs incurred will be able to be added to the cost base of the property to reduce future capital gains. The proposed changes will have an effect on investor's cashflow, given that expenses will be incurred with after-tax dollars. The potential winners in this proposal are the building industry which might see an increase in building work as a result of taxpayers wanting to build sooner than later.

Business tax

Accelerated depreciation for small business extended (again)

Date of effect: 1 July 2018 **Who's affected: Business up to $10 million turnover**

Businesses with turnover up to $10m can already immediately write off eligible business assets acquired during the current financial year, up to $20,000. This concession has been extended for another tax year if the assets are first used or installed ready for use by 30 June 2019.

Assets valued above $20,000 can continue to be added to their small business simplified depreciation pool. The asset will be depreciated at 15% in the first income year and 30% each income year afterwards. The simplified depreciation pool can also be immediately deducted if the balance is less than $20,000 prior to 30 June 2019.

Profile's view: Budget papers have not indicated that this is the final year that this concession will be offered. However, bringing forward the acquisition of qualifying assets into the 2018/19 financial year to take advantage of the higher write-off may be a tax-effective decision for business owners (provided the asset expenditure will make a valid improvement for the business).

Integrity measure for partnerships

Date of effect: 1 July 2019 **Who's affected: Large partnerships**

Partners in a partnership can assign rights to their future income from the partnership to other entities, effectively reducing their income tax liability by assigning income to a lower tax paying entity.

When these rights are assigned, the small business CGT concessions would typically be available to reduce the capital gain on the disposal, however, this proposal will mean this is no longer the case.

Profile's view: We see this as a fair measure considering there are no changes to the existing small business CGT concessions, which will remain available. The measure appears to be directed at large professional partnerships seeking to manipulate the concessions otherwise intended to reduce the tax burden for genuinely small businesses.

Tax on structures

Clarifying the tax treatment of testamentary trust assets and income

Date of effect: 1 July 2019 **Who's affected: Testamentary trust beneficiaries**

A testamentary trust is established upon death and specified in the testator's (the deceased person's) will. A unique feature is that income received by minors is taxed at standard adult tax rates; rather than the higher minor tax rates (up to 47% of income above $1,307) which is the case with a family discretionary trust.

From 1 July 2019, these concessional tax rates will be limited to **income derived from assets that are transferred from the deceased estate** or the proceeds of the disposal or investment of those assets.

Profile's view: This measure is a clarification of tax treatment of assets and income within a testamentary trust. We do not envisage a reduction in the uptake of testamentary trusts due to this announcement as they remain an important structure for many families providing asset protection along with tax planning advantages.

The proposal is an attempt to close an aggressive tax planning approach where some taxpayers were inappropriately accessing the standard tax rates for minors by transferring assets unrelated to the deceased estate into the testamentary trust.

Integrity Measure for Managed Investment Trusts (MITs)

Date of effect: 1 July 2019

Who's affected: Non-residents and companies with MIT holdings

A managed investment trust (MIT) is a unit trust that allows members to collectively invest in passive income activities, such as shares, property or fixed interest assets.

The Government proposal will prevent MITs and Attribution MITs (AMITs) from applying the 50 percent capital gains discount at the trust level. Instead, gross gains will be distributed and discounted in the hands of the trust beneficiary only if they are eligible.

Profile's view: We view this as a fair measure to ensure MITs and AMITs operate as genuine flow-through tax vehicles by ensuring the income is taxed in the hands of the final investor. Where an investor (such a company or non-tax resident) may not be entitled to the CGT discount this will prohibit them from getting it.

SOCIAL SECURITY

New Age Pension means test for lifetime income streams

Date of effect: 1 July 2019

Who's affected: Pensioners with lifetime annuities

The Government has announced a new means test for lifetime retirement income stream products, such as annuities. Clients who purchase a lifetime income stream before 1 July 2019 will be grandfathered under the current rules.

The proposed rules

Assets Test

60% of the purchase price of a lifetime income stream will be assessed as an asset until age 84 (or for a minimum of 5 years), and thereafter 30% will be assessed as an asset for the rest of a person's life. (Under current rules, the assessed value of the income stream gradually reduces each year based on a deductible amount using life expectancy at the time of purchase).

Income Test

A fixed 60% of all lifetime income stream payments will be assessed as income. (Under current rules, the gross income less a deductible amount is assessed).

Profile's view: This change may allow some clients to improve their Age Pension entitlements under the asset test (it is unlikely the income test changes would be beneficial).

For clients who've had an existing annuity in place for close to 10 years, a review is definitely in order, to consider whether the new rules are beneficial (in the event the grandfathering rules allow existing annuitants the option of opting into the new regime).

Pension Work Bonus

Date of effect: 1st July 2019

Who's affected: Age Pension recipients

The existing Pension Work Bonus will increase from $250 to $300 per fortnight, and eligibility will be extended to the self-employed. A single age pensioner with no other income will be able to earn up to $468 per fortnight and still be eligible for the maximum rate of Age Pension. The Work Bonus is in addition to the income free area, which is currently $168 a fortnight for a single pensioner and $300 per fortnight (combined) for a pensioner couple.

- Pensioners can accrue unused amounts of the Work Bonus, which can be used to exempt future earnings from the pension income test. The maximum accrual amount is $7,800 (up from $6,500).
- A personal exertion test will apply, as the Work Bonus is only available to those engaged in gainful work.
- The Work Bonus does not apply to income received from financial or real estate investments.

Profile's view: Predominantly affecting low/medium income earners, the change further encourages the slow transition from the workforce while protecting the longevity of retirement assets. A win for the self-employed, as they become eligible to slow their operations while having less effect on their Age Pension entitlement.

Expansion of the Pension Loans Scheme

Date of effect: 1st July 2019   Who's affected: Age Pension Recipients

The current Pensions Loan Scheme (PLS) will expand eligibility to all Australians of Age Pension age, which includes those receiving the maximum rate of Age Pension. Currently, only part-pensioners and some self-funded retirees who own a property can access the PLS. The Government will also increase the maximum loan amount available.

- Age Pension recipients can secure a loan against their property to increase their fortnightly pension payment.
- The fortnightly payments can now be up to 150% percent of the maximum Age Pension rate.
- Full rate pensioners will be able to increase their income by up to $11,799 (singles) or $17,787 (couples) per year.
- Age-based loan to value ratio limits still apply and the fortnightly compounded interest rate of 5.25% remains on the outstanding balance.

Profile's view: The scheme offers more choices for those looking to support their standard of living during retirement. The increase of eligibility to those on maximum Age Pension will assist more people to remain in their homes for longer. The intent is to reduce the number of people downsizing their property for cash flow purposes and having to enter aged care facilities.

Eligible Australians should consider if funds could be accessed by other means such as equity in the home if it can be done without affecting the asset test. The benefit could be to access a lump sum, versus an increase in cashflow.

No change to Newstart Allowance

Date of effect: N/A   Who's affected: Unemployed Australians

Despite significant discussions on the need to increase the Newstart Allowance, no changes were made.

Introduction of an Income Test for Carer Allowance

Date of effect: 20 September 2018   Who's affected: Carers with income streams

The Carer Allowance provides an income supplement payment for people who support someone who is frail or has a severe medical condition or disability. The Government has proposed to introduce a $250,000 annual income test threshold for the Carer Allowance and Carer Allowance (child) Health Care Card.

Currently, an individual who qualifies for a Carer Allowance receives:

- A non-means tested benefit of $127.10 per fortnight and a Health Care Card if care is provided to someone who is aged 16 or older
- A Health Care Card only if care is provided to a child under age 16 with lower needs.

Profile's view: The provision is to eliminate high-income earners from receiving welfare benefits, leaving more funds available for those in need.

Improving access to residential and at-home aged care

Date of effect: 1 July 2018   Who's affected: Senior Australians waiting for a home care package, or those looking to move into Residential aged care

From 1 July 2018, an additional 14,000 at home care packages have been approved for funding over a four-year period. This is in an addition to the 6,000 additional packages that were allocated last December.

Home care packages are approved at four levels of care. Each level of home care package provides a different subsidy amount and is paid to an approved home care provider that you select. The existing structure of the package expects the recipient of the service to contribute to the cost of the care, through a basic daily fee and in some cases an income-tested care fee.

The four package levels are currently structured as:

Package level	Aged care services for people with	Yearly subsidy up to an approximate value of*
1	Basic care needs	$8,000
2	Low-level care needs	$14,500
3	Intermediate care needs	$32,500
4	High-level care needs	$49,500

Source: https://www.myagedcare.gov.au/help-home/home-care-packages/about-home-care-packages

*The maximum government contribution increases each year

No changes have been proposed to the level of government subsidies or client contributions.

The government guarantee on refundable accommodation deposits (RADs) and refundable accommodation contributions (RACs) is set to continue. This is an important consideration for most people when it comes to residential aged care.

Profile's view: There are an estimated 105,000 people in the national queue waiting for a suitable package to be allocated. The proposed measures only go a modest way to addressing the backlog. However, an increased focus on at-home care will help drive conversations with older clients about potentially accessing these services which could result in them remaining at home for longer, with a better quality of life. The key should be to retain as much financial independence as possible, thereby reducing any reliance on programs in high demand and commensurate long waiting periods.

OTHER

Protecting older Australians

Date of effect: 1 July 2018 **Who's affected: Senior Australians**

Elder abuse – both physical and financial - is now prevalent in many sectors of our community. In some instances, financial abuse cases were brought on by the action of children and/or those acting under an existing Enduring Power of Attorney.

The following proposals were put forward as measures to protect the elderly:

- The government working alongside State and Territories to develop a nationally consistent legal framework to address elder abuse
- Establishing a National register of Enduring Powers of Attorney.
- Funding the expansion and evaluation of trials, with a focus on specialist elder abuse support services

The government will also establish a new Aged Care Quality and Safety Commission from 1 January 2019 which will combine the functions of three existing departments.

Profile's view: A step in the right direction with regards to welfare and quality of aged care for the elderly. The establishment of a National register of Enduring Powers of Attorney should minimise any financial abuse, however, it will require the person granting the EPoA to ensure the register is kept up to date. There will also need to be a requirement for financial institutions to reference the National Register before acting on any instructions.

Elder abuse is a separate and more complex problem to solve and the measures announced do not address this other than establishing another government department.

Additional funding for regulators

Date of effect: Various **Who's affected: ASIC, APRA, TPB, AFCA, ATO**

The Government will provide additional funding to industry regulators to ensure they are able to improve on their responsibilities to maintain professional standards.

- The Australian Securities and Investment Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) will receive $10.6m and $2.7m respectively over the next two years to assist in their involvement in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.
- The Tax Practitioners Board will receive $20.1m over the next four years to ensure tax agent services are provided to the public in accordance with appropriate professional and ethical standard.
- The Australian Financial Complaints Authority will receive $1.7m next year to support its establishment.
- The Australian Tax Office (ATO) will receive $130m in the next year to increase compliance activities targeting individual taxpayers and their tax agents. The ATO will receive a further $15m over the next three years to modernise payroll and superannuation fund reporting.

Profile's view: The Government is investing funds to ensure that the financial sector remains strong and trusted. The proposed funding should allow regulators the ability to monitor, report and, if necessary, penalise the professionals in their respective industries.

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