FEDERAL BUDGET ANALYSIS

OCTOBER 2020

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THE ECONOMY AND MARKETS

In stark contrast to Josh Frydenberg's 2019 Federal Budget claim that "Australia is back in the black and back on track", the postponed 2020-21 Federal Budget set a very different tone and colour.

Unlike previous Budgets, this one was the product of the COVID-19 pandemic which has plagued the world with disastrous health and economic consequences.

As we know, the pandemic has weighed heavily on global economic activity, costing over 600 million full time jobs in the June quarter alone. Economic growth has collapsed to levels last seen during the Great Depression. There have been record falls in business conditions. Consumer confidence has taken a massive hit. Consumption of services such as travel and tourism, recreation, hospitality, and the arts have ground to a halt.

In line with international experience, Australia is currently in the firm grip of a recession - its first in 30 years. We are deeply in the red with a record deficit of $213.7 billion, a number not seen since World War 2. Unemployment is forecast to peak at 8% in the December quarter, however further rises are expected over the coming months as Government support is reduced over time. The much talked about Budget surplus (pre-COVID-19) is now considered to be out of reach for at least a decade.

	Actual	Estimates				
	2019-20	2020-21	2021-22	2022-23	2023-24	Total[b]
Underlying cash balance ($b)[c]	**-85.3**	**-213.7**	**-112.0**	**-87.9**	**-66.9**	**-480.5**
Per cent of GDP	-4.3	-11.0	-5.6	-4.2	-3.0	
Gross debt[d]	684.3	872.0	1,016.0	1,083.0	1,138.0	
Per cent of GDP	34.5	44.8	50.5	51.6	51.6	
Net debt	**491.2**	**703.2**	**812.1**	**899.8**	**966.2**	
Per cent of GDP	24.8	36.1	40.4	42.8	43.8	

Source: Budget.gov.au

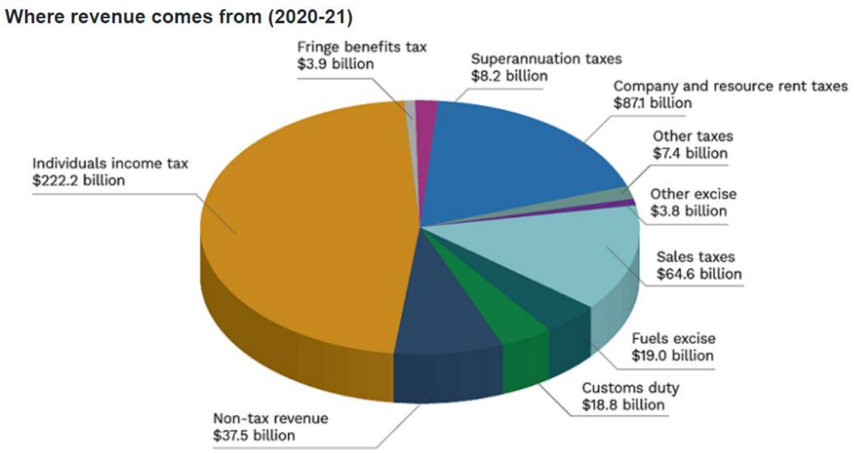
To date, the Government has thrown everything but the kitchen sink at the problem and has borrowed heavily from the Reserve Bank of Australia to fund its programmes to help rebuild the economy. Ultra-low interest rates make this significant increase in the debt burden possible and reduces the loan repayments of the Government to a level that is manageable and affordable. The current cost of Government borrowing is very low at 0.85% for ten years and 0.25% for three years.

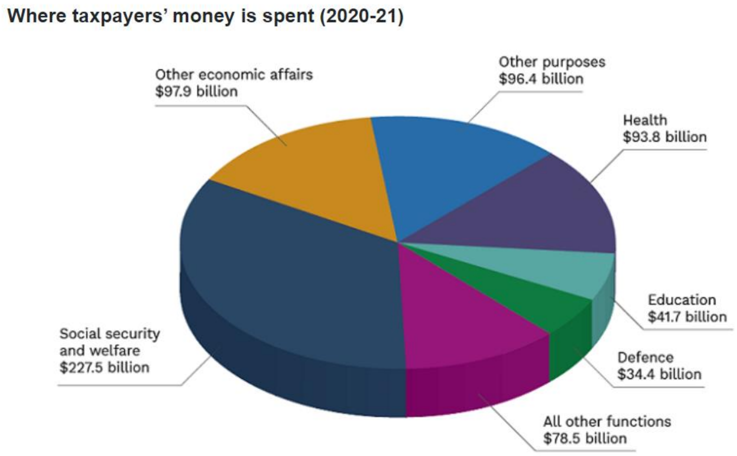
	Outcomes	Forecasts			
	2019-20	2020-21	2021-22	2022-23	2023-24
Real GDP	-0.2	-1 1/2	4 3/4	2 3/4	3
Employment	-4.3	2 3/4	1 3/4	1	1 3/4
Unemployment rate	7.0	7 1/4	6 1/2	6	5 1/2
Consumer price index	-0.3	1 3/4	1 1/2	1 3/4	2
Wage price index	1.8	1 1/4	1 1/2	2	2 1/4
Nominal GDP	1.7	-1 3/4	3 1/4	4 1/2	5

Source: Budget.gov.au

In the Budget, a raft of new initiatives was announced to further support the economy. The key measures included:

- ‘Stage 2’ personal income tax relief backdated to 1 July 2020.
- An additional 10,000 first home buyers will be eligible to purchase a new home sooner under the extension to the First Home Loan Deposit Scheme.
- $14 billion in new and accelerated infrastructure projects over the next four years. These projects will support a further 40,000 jobs during their construction.
- Business tax incentives and asset write downs.
- Companies with turnover up to $5 billion can now offset losses against previous profits on which tax has been paid, to generate a refund.
- Upgrades to the NBN to bring ultra-fast broadband to millions of families and businesses.
- Businesses incentives to hire young job seekers aged 16 to 35 years old.
- Funding to protect existing and create 100,000 new apprenticeships.
- A $1.6 billion strategy to encourage greater local manufacturing.
- $2 billion in additional Research and Development incentives.
- $250 million over four years to modernise recycling infrastructure.
- Additional ongoing and one-off financial assistance to help Australians recover from the impacts of the COVID-19 pandemic.





Source: Budget.gov.au

Collectively this omnibus of initiatives covers a lot of ground and should have the desired effect. It should almost certainly gain the support of the business sector and the financial markets. There are risks to be aware of, however the challenges for the Australian economy from the virus continue to remain significant and highly uncertain. Second wave outbreaks can come at any time, as we saw with Victoria. An effective vaccine may not be found or administered for years, although the Budget makes assumptions that a vaccine will be made available to all Australians by late 2021. Many businesses may not survive the waiting game for demand to return. Similarly, household confidence may not recover for some time.

Whilst the economy has suffered enormously during the pandemic, there is a silver lining with reason to be optimistic and more confident in the future. As the virus starts to come under control and containment measures are eased, the jobs lost have started to come back - which is a welcome development and positive sign. Of the 1.3 million Australians who lost their job or were stood down in April, almost 60 per cent or 760,000 are now back at work.

Consequently, economic activity is forecast to pick up strongly from late 2020 and into early 2021, driven by a further easing of containment measures and improving business and consumer confidence. As the economy starts to improve, tax revenue should also start to return to pre-pandemic levels, enabling the Government to start repaying some of the massive borrowings undertaken to finance the stimulus.

Overall, we consider the 2020/21 Budget to be responsible and well targeted. Sometimes you need to spend money to make money which is the only course of action the Government could take under the circumstances. The Budget initiatives in our opinion provide much needed support to those most affected by job loss but equally provide further incentives to those fortunate enough to have a job, to get back to work and re-starting spending, in order to get Australia back on track.

Initiatives[a]	2020-21 $m	2021-22 $m	2022-23 $m	2023-24 $m	Total $m
JobKeeper Payment extension[b]	-15,600	-	-	-	-15,600
Infrastructure Investment - states and territories[c][d]	-653	-1,834	-2,349	-1,908	-6,744
JobMaker Hiring Credit[c]	-850	-2,900	-250	-	-4,000
Further economic support payments[b]	-2,512	-43	-3	-	-2,558
Ageing and Aged Care[e]	-716	-390	-438	-485	-2,029
Infrastructure Investment - road safety and upgrades[c]	-1,003	-1,001	-1	-1	-2,008
Access to COVID-19 vaccines and consumables[b]	-1,165	-704	-	-	-1,870
Modern Manufacturing Strategy[c]	-79	-454	-587	-389	-1,510
Boosting apprenticeships wage subsidy[c]	-409	-822	9	7	-1,214
Supporting our hospitals - continuation[b]	-1,103	-	-	-	-1,103
Research Package[c]	-1,040	-38	89	-78	-1,067
Guaranteeing Medicare and access to medicines - extension[b]	-1,040	..	..	..	-1,040
National Water Grid - investing in a long-term approach to water infrastructure[c]	-21	-202	-326	-481	-1,031
Local Roads and Community Infrastructure Program - extension[c]	-500	-500	-	-	-1,000
Employment Services	276	240	253	158	927

Source: Budget.gov.au

SUPERANNUATION

The 2020/21 Federal Budget was notable for the lack of changes to superannuation legislation. This is welcomed by Profile, after years of tinkering by subsequent Governments. The focus of the announcements was around improving efficiencies in the system, rather than changing the system itself.

At this stage, the Superannuation Guarantee is still scheduled to increase from 9.5% to 10.0% from 1 July 2021, with further increases in stages to a 12.0% contribution rate from 1 July 2025. The previously announced change to Self-Managed Super Funds to increase their maximum membership from 4 to 6 members was also reaffirmed in the Budget, while the start date for other efficiency measures was further deferred. The key new reforms are:

Your superannuation follows you

Date of effect: 1 July 2021 **Who's affected: All working Australians**

When you change jobs, if you do not nominate a superannuation fund, your new employer will be required to pay your superannuation into your existing superfund, unless you select another fund. Previously your new employer was able to default you into a new super fund of their choice. The new employer will be able to obtain the details of your existing superfund via the ATO. The aim of this measure is to avoid individuals having multiple superfunds which can result in their balances being eroded by fees over time.

Profile's view: Profile supports the objective of the Government to ensure Australian's do not have unnecessary multiple superfunds. However, it puts the onus back on the individual to make sure that their chosen superfund is the right one for them. The Government has announced additional measures to assist members make more informed choices about their superfund.

YourSuper comparison tool

Date of effect: 1 July 2021 **Who's affected: Superfund members**

A new online tool is being launched to help members decide which superfund to use for their retirement savings. The tool ranks MySuper products by their fees and performance. The tool will also provide details of your existing superfund(s), giving you the ability to consolidate the accounts and has links to the websites of MySuper funds so you can choose a MySuper product.

Profile's view: This tool is proposed to initially cover MySuper products only which means it will be very limited. It also does not consider your age, risk profile, current insurances, cashflow requirements or other factors which are critical in making an appropriate and fully informed decision. It potentially will make dangerous comparisons based primarily on past performance and fees – which as every savvy investor knows – is no guide to future performance.

Holding underperforming super funds accountable

Date of effect: 1 July 2021 **Who's affected: Superfund members**

By 1 July 2021, MySuper products will have their performance analysed annually by the Australian Prudential Regulation Authority (APRA) and any funds that are deemed underperforming must inform their members of their underperformance by 1 October 2021 and provide them with information on the MySuper comparison tool. The funds will be listed as underperforming until their performance improves. If a MySuper product fails two consecutive annual performance analysis they will not be allowed to accept new members into that fund until their performance improves.

By 1 July 2022, the annual performance analysis will be extended to some other superannuation products, where the Trustee makes investment decisions. At this stage, the analysis will not extend to SMSFs or personal superannuation funds advised by a financial planner or self-directed by a superfund member.

Profile's view: While Profile supports increased transparency and comparison, there have been no guidelines on how the "underperformance" will be measured, or against what benchmark. Given the range of superannuation strategies and products, we could see apples compared to oranges, bananas, fish, or steak! There is a real danger of superannuation funds succumbing to peer pressure and taking a herd-like approach to investing, simply so that they do not fall into the "underperformance" category and lose members. We are likely to see further mergers between superfunds and a significant reduction in the overall number of superfunds. One unintended consequence of this proposal is that superfunds may act in their own best interests instead of the members' best interests. By continuing to work with your Profile Adviser, you can be certain that you will have a superfund and strategy appropriate to *your* specific needs and requirements.

Increased accountability and transparency for superannuation trustees

Date of effect: 1 July 2021 **Who's affected: Superfund trustees and their members**

One of the issues from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was how Trustees of superannuation funds spent members' funds. The Government wants superfunds to be more accountable and now will require superannuation trustees to act in the best **financial** interests of members and have a reasonable basis to support their choices. Trustees will need to provide members with the details of their spending prior to their Annual Members' Meetings.

Profile's view: Making trustees transparent about their spending should lead to a decrease in member fees over time and may lead to a greater level of professionalism and independence within superannuation Trustee Boards. Profile believes that this a positive outcome for superannuation members.

TAXATION

Taxation reforms are the centrepiece of the 2020/21 Federal Budget, with both individuals and businesses given taxation incentives to help stimulate economic growth. Profile welcomes these changes and believes they will help reinvigorate business and consumer spending. Our key concern is that the Federal Government is simultaneously increasing expenditure and reducing taxation income – which is fiscally unsustainable in the long-term. However, we believe the overall package of measures announced since the start of the COVID-19 pandemic is appropriate and will provide a suitable foundation for economic recovery.

For Individuals:

Personal income tax bracket changes brought forward

Date of effect: 1 July 2020 **Who's affected: Income earners from $37,001 and over**

The Government has committed to providing immediate financial assistance to all income earners by bringing forward, by two years, stage two of the previously legislated tax cuts. Originally approved to begin 1 July 2022, these are now proposed to be backdated to 1 July 2020. The changes lift the upper income threshold for the 19% tax bracket from $37,000 to $45,000, and subsequently, the upper income threshold for the 32.5% tax bracket from $90,000 to $120,000

The proposed rates are outlined in the table below:

Tax rate (%)	Existing threshold ($)	New tax threshold from 1 July 2020	Proposed threshold from 1 July 2024
0	0 – 18,200	0 – 18,200	0 – 18,200
19	18,201 – 37,000	18,201 – 45,000	18,201 – 45,000
30		-	45,001 – 200,000
32.5	37,001 – 90,000	45,001 – 120,000	-
37	90,001 – 180,000	120,001 – 180,000	-
45	180,001 +	180,001 +	200,001 +

Note: There are no changes to the existing 2% Medicare levy rate, which will continue to apply in addition to the taxation rates shown above.

On budget night, there was no mention of moving the timetable for stage three of the taxation reforms. From 1 July 2024, the stage three proposed changes will eliminate both the 32.5% and the 37% tax brackets, with the introduction of a new 30% tax bracket for personal income between $45,001 and $200,000. This will more closely align the middle-income bracket of the personal income tax system with corporate tax rates.

Profile's view: Profile welcomes the bringing forward of these tax reductions as they will benefit a wide range of people – both those still in the workforce and many others who use company and trust structures. It is hoped that these changes can be legislated quickly, to allow the benefits to flow through the PAYG system and into take-home wages. With the average full-time earner now grossing around $90,000 per annum, the tax bracket increase is practical and welcomed.

For Australians with companies and family trusts who managed their incomes to the $90,000 threshold, they can consider increasing their incomes from their respective entities without increasing their marginal tax rate, however it would be worthwhile discussing your specific situation with your Profile Advisor.

The timing of these personal tax changes

Date of effect: 1 July 2020 **Who's affected: Australian taxpayers**

The changes to the tax bracket thresholds and the personal tax offsets have been backdated to 1st July 2020. However, the Government is aiming for at least some of these tax cuts to flow through to individuals' bank accounts before Christmas. Federal Treasurer, Josh Frydenberg, has stated that he is working with the Tax Office to reduce PAYG withholding amounts starting in December, which will increase Australians' take-home pay for the remainder of the financial year.

These adjustments to PAYG instalments will only go so far as to apply the new tax rates, they will not apply retroactively to account for the excess tax paid from July to November 2020. These funds will still need to be claimed in 2020/2021 individual tax returns in the new financial year.

Profile's view: A key learning from the 2008 financial crisis was the importance of immediate stimulus measures for individuals to kick-start consumer spending. Political rhetoric aside, the rapid implementation of these tax cuts should provide part of the boost our economy requires, albeit the strength of the recovery remains highly dependent on low COVID-19 case numbers and the development of a viable, safe vaccine

Changes to Low Income Tax Offset (LITO)

Date of effect: 1 July 2020 **Who's affected: Income earners up to $66,667**

The Budget confirmed the early introduction of the Low-Income Tax Offset by two years, from the previously legislated date of 1 July 2022. These changes will result in Low Income Tax Offset being increased from $445 to $700.

Taxable Income ($)	Amount of the LITO for the 2020/2021 Financial Year
37,500 or less	$700
37,501 to 45,000	$700 *less 5 per cent of excess over 37,500*
45,001 to 66,667	$325 less 1.5 per cent of excess over 45,000

Profile's view: Profile supports these measures for low-income earners, who have historically been inclined to spend these funds. This should have a positive effect on cash flow in the economy.

Changes to Low & Middle-Income Tax Offset (LMITO)

Date of effect: 1 July 2020 **Who's affected: Income earners up to $126,000**

Originally scheduled for removal from 30 June 2020, the Low and Middle-Income Tax Offset will be maintained for the 2020-21 Financial Year. This provides a further reduction in tax for Australians earning up to $126,000 per annum.

The LMITO is available to individuals after lodging their tax returns this financial year, however as this is a tax-offset you can only reduce the tax you pay to zero.

Taxable Income ($)	LMITO for the 2020/2021 Financial Year
0 – 37,000	Up to $255
37,001 – 48,000	*$255 plus 7.5 cents 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: This offset provides a meaningful benefit to working Australian's by offering a refund of up to $1,080 for individuals in the short-term**.** Like the Low-Income Tax Offset, the effectiveness of the LMITO extension will depend on whether Australian's are ready increase their discretionary spending, rather than "saving for a rainy day" (or a pandemic).

Medicare Levy Low-Income thresholds

Date of effect: 1 July 2019 **Who's affected: Low-Income earners**

The Government has increased the Medicare low income thresholds to consider the movements in Consumer Price Index (CPI). The measure will see low income earners with income below the relevant threshold continue to be exempted from paying the Medicare Levy.

Income Category	2018 - 2019	2019 - 2020
Individual	$22,398	$22,801
Family	$37,794	$38,474
Single seniors and pensioners	$35,418	$36,056
Family seniors and pensioners	$49,304	$50,191
For each dependent child or student, the family threshold increases by	$3,471	$3,533

Profile's view: This is good news for low income earners and some self-funded retirees. The indexation will add further support to the Government's personal income tax relief by increasing the disposable income of those earning below the threshold. The flow on effect will likely be further economic stimulus through spending the additional income.

For Businesses:

Temporary carry-back provision for business losses

Date of effect: 2019-2022 **Who's affected: Business up to $5 billion turnovers**

Most companies (i.e. those with a turnover below $5 billion) who are suffering a temporary business reduction as a result of the COVID-19 pandemic are able to 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.

Losses incurred in the 2019-20, 2020-21, and 2021-22 financial years will be able to be carried back and offset against taxed profits from the 2018-19 or later financial years. These losses can also be because of a business taking advantage of the measures announced in the budget such as the amended instant asset write-off. Eligible companies are only able to receive a tax refund upon lodgement of their 2020-21 and 2021-22 tax returns.

Profile's view: These measures have a proven track record internationally in allowing businesses to smooth out cashflow across periods of positive and negative return. This should allow small and medium businesses to ride out any losses over the next two financial years while the economy begins to recover post COVID-19.

JobMaker Hiring Credit

Date of effect: 7 October 2020 **Who's affected: Business that take on additional employees**

The Government has introduced a new ***JobMaker Hiring Credit*** which aims to support youth jobs growth.

The credit will assist eligible businesses that take on additional employees aged 35 years or younger from 7 October 2020 until 6 October 2021. To be eligible, employers must demonstrate that the new employee will increase the overall headcount and payroll.

Eligible employers will receive $200 per week if they hire an eligible employee aged 16 to 29 years, or $100 per week if they hire an eligible employee aged 30 to 35 years. and will be paid for 12 months from the date of employment up to a maximum amount of $10,400 per additional new position created.

The new employee will need to work a minimum of 20 hours per week, averaged over a quarter, and previously received the JobSeeker Payment, Youth Allowance or Parenting Payment for at least one month out of the three months prior to the date they are hired.

Additional support for apprentices and trainees

From 5 October 2020 to 30 September 2021, businesses who take on a new Australian apprentice or trainee will be eligible for a 50% wage subsidy of up to $7,000 per quarter.

Profile's view: While Profile sees these measures as an effective tool in increasing jobs growth, reducing youth unemployment and reliance on government assistance, our concern is that eligibility for employees is too limited and that those not in receipt of government assistance or those aged over 35 will be at a significant disadvantage when looking for a job. We also question the timeframe of the support only being for 12 months. Apprenticeships are 4 years and the concern is that new apprentices may be laid off when the subsidy expires and have no work or employers to see them through to completion. We would like to see the government provide more security for any new apprentices hired.

Extension of the instant asset write-off

Date of effect: 7 October 2020 **Who's affected: Business up to $5 billion turnover**

Businesses with annual turnover of up to $5 billion can write off the full cost of eligible capital assets acquired from 7 October 2020 and first used, or installed for use, by 30 June 2022. Full expensing in the year of first use will apply to new depreciable assets and the cost of improvements to existing eligible assets.

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.

Businesses with aggregated annual turnover of less than $10 million can deduct the balance of their simplified depreciation pool at the end of the income year while full expensing applies. The provisions which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out, will continue to be suspended.

Profile's view: This initiative is clearly aimed at stimulating business spending and the extension of the program is supported by Profile. For those businesses who can take up this offer, we should see a demand surge for capital equipment, benefiting other businesses who are manufacturing and supplying such equipment also.

Smaller businesses could struggle to take advantage of this scheme, because of significantly reduced cashflows from the pandemic and hence their inability to fund new capital equipment purchases – even with the incentive of an instant tax write-off.

Extension of tax concessions for small business

Date of effect: 1 July 2020 - 1 July 2021 **Who's affected: Business up to $50 million turnover**

Businesses with an annual turnover of less than $10 million currently benefit from a variety of tax concessions. The turnover threshold for many of these concessions is now being temporarily raised to $50 million. The concessions affected include:

- From 1 July 2020:
  - Immediate deductions for start-up companies, such as for professional, legal, and accounting advice.
  - Immediate deductions for prepaid expenses, provided the service period is for less than twelve months.
- From 1 April 2021:
  - The exemption of car parking from the 47% Fringe Benefits Tax (FBT).
  - The exemption of certain electronic devices from FBT, such as laptops, mobile phones, and tablets.
- From 1 July 2021:
  - Simplified rules associated with reporting trading stock.
  - PAYG instalment concessions, which can be remitted based on GDP-adjusted notional tax.
  - A two-year amendment period for tax assessments.
  - Cash basis accounting for GST.
  - Monthly lodgement of excise returns and settlement of excise-equivalent customs duty.

Other small business tax concessions will be unaffected, with the threshold remaining at a turnover of $10 million.

Profile's view: Compared to many of the other budget items, these changes are expected to have a negligible effect on underlying economic growth, decreasing total tax receipts by an estimated $25 million next financial year. However, the simplified reporting obligations included in the proposed changes will produce efficiencies for an estimated 20,000 small businesses and reduce the administrative burdens for these companies. This will have the added benefit of expediting tax receipts in the coming financial years.

New Fringe Benefits Tax exemptions and concessions

Date of effect: First FBT Year after Royal Assent **Who's affected: Employers, redundant employees**

An exemption from the 47% fringe benefits tax (FBT) will be introduced for employer provided retraining and reskilling benefits provided to redundant, or soon to be redundant employees where the benefits may not be related to their current employment.

Currently, FBT is payable if an employer provides training to employees and that training does not have sufficient connection to their current employment. This measure will provide an FBT exemption for a broader range of retraining and reskilling benefits, encouraging employers to retrain redundant employees to prepare them for their next career.

The Government will also consult on allowing an individual to deduct education and training expenses they incur themselves where the expense is not related to their current employment.

Profile's view: This tax concession has been targeted at the businesses and employees who, as a result of COVID-19 impacts, are being made redundant and needing to retrain (for example airline workers). The government's focus for the recovery of the Australian economy has been around job creation and reskilling and this makes the cost of retraining less of a burden to businesses and employees affected. The hidden gem may be allowing employees to personally deduct education costs and training. This could be a welcome boost to education providers who have been hit hard with the fall in overseas students.

SOCIAL SECURITY

Over the last 12 months, the Federal Government introduced a number of changes to the Social Security system (including the JobKeeper payments, enhancements to JobSeeker and two special payments to Centrelink recipients), designed to protect and assist the most vulnerable Australians from the economic impact of COVID-19. As such, this Budget focusses on ensuring the safety-net remains relevant and appropriately scaled as we look to restart economic activity and reduce unemployment. The key Social Security announcements included:

Economic Support Payments - Pensioners

Date of effect: From 30/11/2020 & 1/3/2021 **Who's affected: Qualifying social security recipients**

Earlier this year, the Government initiated two Economic Support Payments of $750 to eligible social security recipients, veterans, income support recipients and concession-card holders. The purpose of these payments was to help those in need manage the economic impact of the COVID-19 pandemic.

With the economic impact of COVID-19 continuing, the Government will provide two more additional Economic Support Payments of $250 each. The first of these payments will be made from 30 November this year, followed by a second instalment in March 2021.

It is expected that these new payments will benefit approximately 5.1 million eligible Australians and will also be income tax exempt and exempt for the purposes of any income support payment.

Profile's view: While this measure will be welcomed by qualifying recipients, many may consider that they are insufficient to really ease the cost of living burden for those who are financially vulnerable. That said, the two new payments will bring the value of the additional income support to a total of $2,000 for those who have been eligible for all four payments for an individual and $4,000 for a couple. If you or a family member may be eligible, it will be important to speak with your Profile Adviser, to ensure the Centrelink paperwork is submitted before the cut-off dates for these additional payments.

Profile would have liked to have seen additional measures in the Budget which may have extended support to a greater number of people, who are feeling the economic consequences of the pandemic. Measures such as allowing more self-funded retirees to qualify for some assistance in the form of a pension or even eligibility for the Commonwealth Seniors Heath Care Card, may have additionally assisted their cost of living, at a time when savings and assets have been impacted by falling valuations.

Pandemic Leave Disaster Payment

Date of effect: Period of quarantine occurs after 17 September 2020

Who's affected: Eligible Australian workers unable to work due to COVID-19 isolation

In a partnership with the States and Territories, the Federal Government will make a one-off grant of $1,500 to eligible workers who are unable work and earn income whilst under a direction to self-isolate or who are caring for someone who has tested positive for COVID 19.

It is anticipated that this will come at a cost of some $34.3 million but is an important measure to help stop the spread of the virus.

Profile's view: Although this measure has been previously announced, it sends a positive message to the community and will encourage many self-employed, or those working on a contract basis, to stay home, recover and stop the spread of the COVID-19 virus. It should be noted that in the case of a couple, both can claim the payment, although separate claims will be required.

Totally and Permanently Incapacitated Veterans – Rent Assistance

Date of effect: 1 July 2021 **Who's affected: Veterans receiving disability compensation payments and paying rent**

Under this measure the Department of Veterans Affairs (DVA) Disability Pension will be exempt from the Incomes Test. This means that the Defence Force Income Support Supplement can be abolished, resulting in some Veterans receiving greater rental assistance.

Profile's view: This measure will be well received by the Veteran's Community.

Note also that the DVA Disability Pension will be renamed and known as the DVA Disability Compensation Payment. This is intended to clarify its purpose.

Child Care – Easing of Activity Test Requirements for Families

Date of effect: 2 October 2020 **Who's affected: Eligible Child Care Subsidy recipients**

After a period of significant financial and structural support has been provided to the Child Care Sector, the only measure announced in the Budget was the extension to the easing of the Activity Test for all eligible Australian Families to 4 April 2021.

This measure allows individuals to access 100 hours of subsidised childcare per fortnight if they have a reduced number of recognised activities compared to their activity levels prior to COVID 19. This includes paid work, study, training, and other nominated activities.

Profile's view: This means that families can continue to receive subsidised care at the same level they received prior to the pandemic. As a result, the measure should be well received by families.

It was interesting that there were no other measures focussed on Childcare in the Budget announcements. As people transition back into employment and business, the demand for Childcare should increase and the sector's ability to transition with this will be all-important. It may be that the Government will need to reconsider extending support to the sector if demand cannot be satisfied by the childcare businesses that have survived this crisis so far.

AGED CARE

Improving Access to Aged Care Services

Date of effect: 1 July 2020 **Who's affected: People Eligible for Home Care Packages and Residential Aged Care**

Over the next four years, there will be additional support for older Australians through an increased number of home care packages, reducing the number of younger people in, or at risk of entering, aged care facilities and supporting aged care residents who temporarily leave to live with their families. The Government is also committed to maintaining the capacity of the Aged Care Quality and Safety Commission.

The Government has committed $2 billion over the next four years to achieve this. Of particular note is the release of an additional 23,000 home care packages and also the establishment of a new Disability Support for Older Australians Program to ensure that all older Australians with a disability, but not eligible for the NDIS, will continue to receive the support they need.

Also included is $35.6 million over two years to provide additional funding for the Business Improvement Fund. This will help to assist eligible aged care providers to improve their financial operations.

Profile's view: We continue to help our clients navigate the minefield of issues and decision points in respect of Aged Care. The feeling of frustration experienced by so many families is evident every time and we hope that the spending announced for Aged Care manifests into improved access and services for the many older Australians desperate for assistance. Whilst the need for more home care packages and residential places is obvious, the need for a smoother and simpler process for applications is equally important.

Exempting Granny Flat Arrangements from Capital Gains Tax

Date of effect: First Financial Year Following Royal Assent **Who's affected: Older Australians and Their Families**

Many older Australians, or people living with a disability, have no choice but to live with their families in a granny flat. Many older people in this situation have funded the construction costs of the granny-flat, but no formal agreement exists with their family, which can lead to potentially significant capital gains tax (CGT) consequences for all involved.

Sadly, this has the potential for situations to arise in which there is financial or elder abuse and exploitation, if a relationship breakdown occurs within the extended family.

Consistent with the Government's 'National Plan to Respond to the Abuse of Older Australians' as announced on 19 March 2019, this measure is intended to encourage agreements to be formalised and in so doing, seek to provide some level of protection.

It is proposed that where a formal written agreement is in place between an older Australian or a person with a disability and the family, the Granny Flat will be exempt from CGT.

Profile's view: Financial or elder abuse is abhorrent and any measures that can be put in place to reduce the likelihood of this occurring in a family situation are warmly welcomed. We also believe that this measure may also help families to consider assisting older Australians and the disabled to find a suitable home that is affordable and convenient, without the worry of the CGT implications in the long term.

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