FirstTech

Federal Budget Briefing

9 May 2023

Contents

Cost of living measures 3
Superannuation 4
Personal taxation 8
Business taxation 11
Social security 12
Aged care 13
Other 14

As expected, Labor's second Budget was filled with measures aimed at easing the cost of living over the coming years, addressing the challenges of a slowing economy, and bolstering the healthcare system.

For super, announcements were focused on aligning employer Superannuation Guarantee payments with pay cycles, and the introduction of the previously announced tax on earnings attributable to balances in excess of $3 million.

There were no announcements extending the halving of pension minimums for another year or to freeze the Transfer Balance Cap at its current level. There was also no announcement to change legislated 'stage 3' tax cuts, although a number of tax strategies were proposed to support small businesses and increase the number of dwellings available on the rental market.

Cost of living measures

Energy price relief plan

From July 2023

The government has announced it will provide funding, and partner with state and territory governments, to reduce the impact of rising energy prices on Australian households and small businesses by providing targeted energy bill relief.

The government says this will deliver up to $500 in electricity bill relief for eligible households and up to $650 for eligible small businesses. These include:

- Pensioners
- Commonwealth Seniors Health Card holders
- Family Tax Benefit A and B recipients
- Small business customers of electricity retailers.

Also announced in the Budget, a range of other measures the government says are designed to ease the cost of living pressure on Australians. These include increasing the rate of working age payments and expanding access to Parenting Payment Single – see social security section for more information.

Cheaper medicines to ease cost of living pressures

From 1 September 2023

The government has proposed reducing the cost of selected pharmaceuticals by implementing a '60 day' prescribing policy which allows two months' worth of medicine to be obtained for the cost of a single script.

Doctors will have the option of prescribing a two-month supply of more than 320 medicines on the Pharmaceutical Benefits Scheme (PBS) to Australians with stable, ongoing conditions. The current dispensing limit is for a one-month supply only.

From 1 September 2023, general patients will be able save up to $180 a year if their medicine is able to be prescribed for 60 days and concession card holders will save up to $43.80 a year per medicine.

Reducing out-of-pocket health costs (tripling bulk billing incentives)

From 2022-23

The government is investing $3.5 billion over 5 years to make it easier and cheaper to see a doctor.

The funding will triple the bulk billing incentive for the most common consultations for pensioners and other Commonwealth concession card holders and patients aged under 16 years of age.

The higher bulk billing incentive will support GPs to bulk bill around 11.6 million eligible Australians. This will support eligible patients to receive the care they need, without any out-of-pocket costs. The bulk billing incentive will continue to be higher for patients in regional and rural areas to support the ongoing viability of general practices in these communities.

Superannuation

No announcement to extend halving of the pension minimums for another year

From 1 July 2023

The government did not announce any extension of the halving of the account-based pension and term allocated pension minimum drawdown requirements, which have been in effect since 2019-20. As a result, the minimum drawdown requirements are likely to revert to 100% of the standard minimum from 1 July for the following pensions (and annuities):

- Account based pensions
- Transition to retirement pensions
- Term allocated pensions.

Although the government could still announce an extension of the current halving of the minimum drawdown requirements for these pensions prior to the end of the year, given this wasn't announced in the Budget it is considered unlikely.

FirstTech comment: Some clients' pension payments may double from 1 July

Clients who have taken advantage of the current rules and reduced their pension payments below the standard minimum may be forced to increase their pension payments by as much as double from 1 July – if the current rules are not extended. In this case, advisers may wish to contact these clients to inform them of the potential increase and to discuss their options in relation to any extra income.

While some clients may choose to spend the additional income due to the rising cost of living, others who don't need the income may want to invest it. Alternatively, if they are between the ages of 67 and 74, they could take advantage of the work test removal and re-contribute these amounts back into super as part of a re-contribution strategy.

No announcement to freeze the transfer balance cap at its current level

From 1 July 2023

In February 2023, it was confirmed that the Transfer Balance Cap (TBC) would increase by $200,000 to $1.9m on 1 July this year due to indexation. However, since February there has been some industry speculation that the government may freeze the TBC at its current level of $1.7m in the Budget – which did not happen.

While it's still possible that the government could announce this before the end of the year, the fact it wasn't announced in the Budget suggests the TBC will increase to $1.9m on 1 July 2023 as expected.

Given this, clients with large super balances who plan to retire before 1 July 2023 and start their first retirement phase income stream, such as an account-based pension, may wish to consider delaying until 1 July 2023 to get the benefit of the full $200,000 indexation.

FirstTech comment: TBC proportional indexation rules increasingly complex

If the TBC does increase to $1.9m on 1 July 2023, it will mark the second time the general TBC has increased due to indexation. Unfortunately, this means calculating a client's personal TBC under proportional indexation rules may become even more complex – especially where the member has multiple retirement phase income streams that were commenced, or that reverted to them, at different times.

In this case, the level of indexation will depend on a number of different variables and could vary significantly depending on the timing of the member's different transfer balance events and highest ever transfer balance account value, and the value of their personal transfer balance cap at that time.

To assist taxpayers, the ATO reports a number of different TBC figures, including a person's personal TBC value, on ATO online services, which can be accessed via MyGov. However, these figures may not always be up to date due to delays in super fund reporting – especially if a member has an SMSF. In this case, FirstTech has an article that explains how the proportional indexation rules work in a range of different situations. The article can be accessed here.

No announcement to allow legacy complying income stream products to be released

In the 2021/22 Federal Budget, the previous government proposed a two-year window to commute and roll the capital supporting certain complying income streams (including reserves) back into a super account in accumulation phase, allowing the member to then decide whether to commence an account-based pension, take a lump sum benefit, or retain the balance in the accumulation account.

The measure was proposed to affect:

- market-linked income streams (otherwise known as Term Allocated Pensions),
- complying life expectancy income streams, and
- complying lifetime income streams

that were originally commenced prior to 20 September 2007. The measure was expected to commence from 1 July 2023, however it was not legislated prior to the calling of the Federal election last year.

FirstTech comment: Legacy income stream products remain locked

There will be some disappointment that Labor did not include a similar proposal in this Budget.

Many of these 'legacy' income stream products have run down to low balances, making them very costly to continue.

Requiring employers to pay their employees' SG at the same time as their salary and wages

From 1 July 2026

The government has announced that employers will be required to pay their employees' SG entitlements at the same time as their salary and wages. Currently, employers are required to pay their employees' superannuation guarantee contributions on a quarterly basis.

The government says requiring employers to pay employees' SG at the same time as their salary and wages will make it easier for employees to keep track of their payments and increase their overall retirement benefit.

For example, the government provides an example showing that a 25-year-old median income earner currently receiving their wages fortnightly, but their super quarterly, could be around $6,000 or 1.5 per cent better off at retirement.

The government also announced it will provide additional funding to the ATO in 2023–24 to improve its ability to identify and act on cases of SG underpayment by employers.

FirstTech comment

At this stage the government's announcement does not provide any carve outs for small businesses. As a result, this proposed change will impact all employers who do not already pay super at the same time as salary and wages. However, these employers will have until 1 July 2026 to prepare for the change, if legislated.

The announcement applies to superannuation guarantee contributions and is unlikely to apply to salary sacrifice contributions. The timing of salary sacrifice contributions is currently determined by the written agreement between an employee and employer.

$3m total super balance tax

From 2025-26

The government has announced it will reduce the tax concessions available to individuals with a total super balance exceeding $3 million, from 1 July 2025.

Individuals with a total super balance of less than $3 million will not be affected.

This reform is intended to ensure generous super concessions are better targeted and sustainable. It will bring the headline tax rate to 30 per cent, up from 15 per cent, for earnings corresponding to the proportion of an individual's total super balance that is greater than $3 million. This rate remains lower than the top marginal tax rate of 45 per cent. Earnings relating to assets below the $3 million threshold will continue to be taxed at 15 per cent or zero per cent if held in a retirement pension account.

Interests in defined benefit schemes will be appropriately valued and will have earnings taxed under this measure in a similar way to other interests. This will ensure commensurate treatment.

FirstTech comment: Taxation of unrealised capital gains

The government originally announced this measure in February 2023 and has since undertaken industry consultation. However, the government has not provided any further guidance on how the measure will technically operate in the Budget, other than to reiterate that it will be based on a member's total super balance.

It will therefore be necessary to wait for the legislation to be introduced before a range of issues will be clarified, such as what amounts will be treated as 'contributions' and 'withdrawals' for the purposes of the earnings calculation.

The industry has called for the $3m limit to be indexed to avoid more people becoming subject to this proposed tax over time as the $3m threshold reduces in real terms. However, the government has not provided any comment in this Budget whether indexation will be considered when legislation is introduced.

For further information on this proposal, please see FirstTech's article: **$3 million super earnings balance threshold – what we know so far**.

Non-arm’s length expenses and non-arm’s length income

From 1 July 2023[1]

The government has announced that it will amend the Non-Arm’s Length Income (NALI) rules for SMSFs and Small APRA Funds to limit the amount of income that will be taxed as NALI where a fund incurs a general fund expense that is less than market rate.

Currently, where a fund incurs a general fund expense under a scheme that is less than market rate, the non-arm’s length expense will have a necessary connection with all of the income derived by the fund in that year. As a result, 100% of the fund’s income, including exempt pension income and assessable contributions, will be treated as NALI and taxed at 45%.

Under the government’s proposal, the amount of the fund’s NALI due to incurring a non-arm’s length expense of a general nature would be limited to 2 times the level of the expenditure breach, calculated as the difference between the amount that would have been charged to the fund as an arm’s length expense and the amount that was actually charged[2].

The government has also announced it will exempt expenditure that occurred before 2018-19 and that large APRA-regulated funds will be exempt from the NALI provisions for both general and specific fund expenses.

FirstTech comment: Different approach than that proposed in consultation

In the non-arm’s length expense rules for super fund consultation paper released by the government in January 2023, the government proposed to amend the NALI provisions so that SMSFs and small APRA regulated funds would be subject to an upper limit on the amount of fund income subject to NALI due to a general expenses breach. The upper limit was set to be 5 times the level of general expenditure breach, calculated as the difference between the amount that would have been charged as an arm’s length expense and the amount that was actually charged to the fund.

In today’s Budget announcement, the government lowered this upper limit from 5 times to 2 times of a general expense.

While the government's announced changes are welcome as they avoid a fund being taxed at 45% on all of its income where it incurs a non-arm's length expense of even a minor amount, it is important to note that this could still result in a significant tax penalty depending on the size of the breach. For example, where a fund incurred a general fund expense that was $3,000 less than what it should have been charged, the fund's non-arm's length income tax liability would be calculated as $2,700 ($6,000 x 45%).

It should also be noted that the NALI provisions that apply where an SMSF or small APRA fund incurs non-arm's length expenses in relation to a specific asset still apply and are not impacted by this announcement.

For more information on the NALI rules and non-arm’s length expenses, please see FirstTech’s article **Non arm’s length income and expenses – NALI & NALE.**

[1] [1] This is the practical effective date based on the ATO’s transitional compliance approach (PCG 2020/5) continuing to apply until 30 June 2023.

[2] While the Budget Paper indicates that the NALI would be calculated as 'twice the level of the general expense’, it’s FirstTech’s expectation that this refers to twice the level of expenditure breach (consistent with the approach taken in the recent consultation paper on this measure).

Personal taxation

No announcement to change legislated ‘stage 3’ tax cuts

From 1 July 2024

The former government legislated three stages of personal income tax cuts commencing from the 2018-19 financial year, with stage 3 of these tax cuts due to take effect on 1 July 2024. While the current government had previously ruled out any changes in this area, there has been ongoing speculation about whether it would be delayed, modified or cancelled given it comes at significant cost to the Budget and particularly benefits higher income earners.

With nothing new announced in last night’s Budget regarding the stage 3 tax cuts, they remain legislated to take effect on 1 July 2024. However, it’s worth noting that there is more than a year, and a further Federal Budget, between now and commencement.

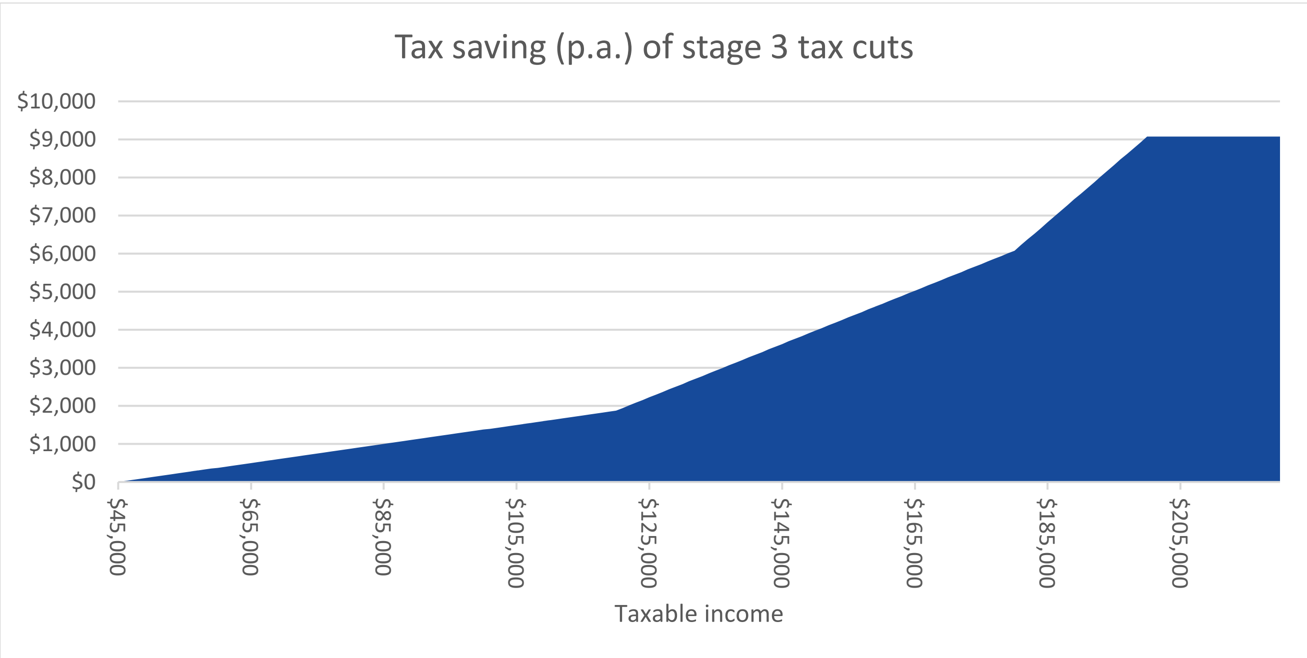
As a reminder, the stage 3 tax cuts will change the income tax rates and thresholds (for resident taxpayers) as follows:

Current (2022–23) year and 2023-24 year | **From 2024–25 year**

Taxable income	Marginal tax rate*	Taxable income	Marginal tax rate*
$18,200 to $45,000	19%	$18,200 to $45,000	19%
$45,001 to $120,000	32.5%	**$45,001 to $200,000**	**30%**
$120,001 to $180,000	37%		
$180,001 and over	45%	**$200,001 and over**	**45%**

*Excluding Medicare levy

The following graph shows the annual tax saving that the stage 3 tax cuts will provide, based on a client’s taxable income.



No extension of LMITO

Ceased from 2022–23 financial year

The low and middle income tax offset (LMITO) was a temporary tax offset available from the 2018–19 to 2021–22 financial years. For its final year, a non-refundable offset of up to $1,500 was available to clients with taxable income below $126,000, with the maximum offset applying where taxable income was between $48,000 and $90,000.

The government made no announcement in the Budget about extending LMITO, and it is therefore legislated to no longer apply in this financial year or future years.

FirstTech comment: Impact of lost LMITO to be felt from next financial year

LMITO was not built into the PAYG withholding system and clients instead received the benefit of LMITO after the end of the financial year when they completed their income tax return for the year.

Clients may therefore still benefit from LMITO currently, as they submit their 2021–22 income tax returns. However, the impact of LMITO no longer applying will be felt from 1 July 2023, when clients start to submit their 2022–23 income tax returns.

FirstTech comment: Will stage 3 tax cuts make up for lost LMITO?

Clients with taxable income more than $45,000 but less than $126,000 will lose LMITO (from 2022–23) but benefit from the stage 3 tax cuts (from 2024–25), although these clients with taxable income of below approximately $96,818 were better off with the LMITO.

Clients with taxable income of $45,000 or below can no longer benefit from LMITO from this year, while receiving no stage 3 tax cut from 2024-25 year.

Exempting lump sum payments in arrears from the Medicare levy

From 1 July 2024

A lump sum in arrears payment representing income accrued in previous financial years is taxable in the year that the client receives the payment and the client in that year can have higher taxable income that's subject to Medicare Levy.

The government has announced it will exempt eligible lump sum payments in arrears from the Medicare levy from 1 July 2024.

This measure will ensure low-income taxpayers do not pay higher amounts of the Medicare levy as a result of receiving an eligible lump sum payment, for example as compensation for underpaid wages.

Eligibility requirements will ensure that relief is available to clients who are genuinely low-income and should be eligible for a reduced Medicare levy. To qualify, clients must be eligible for a reduction in the Medicare levy in the 2 most recent years to which the lump sum accrues. Clients must also satisfy the existing eligibility requirements of the existing lump sum payment in arrears tax offset which can reduce the client's tax liability in the year of receiving this payment.

Increasing the Medicare levy low-income thresholds

From 1 July 2022

The government will increase the Medicare levy low-income thresholds for singles, families, seniors and pensioners from the 2022-23 income year. This is a routine increase and applies retrospectively from the beginning of the financial year.

The increase in thresholds provides cost of living relief by taking account of recent CPI outcomes so that low-income individuals continue to be exempt from paying the Medicare levy.

The following table compares the level of taxable income below which no Medicare Levy is payable.

Income Category	2021-22	2022-23
Taxpayers entitled to seniors and pensioners tax offset (SAPTO)		
Individual	$36,925	$38,365
Married or sole parent	$51,401	$53,406
For each dependent child or student, add	$3,619	$3,760
All other taxpayers		
Individual	$23,365	$24,276
Couple / sole parent (family income)	$39,402	$40,939

Amendment to the Electric Car Discount

From 1 April 2025

On 12 December 2022, the Treasury Laws Amendment (Electric Car Discount) Bill 2022 was enacted to provide an FBT exemption in respect of eligible electric vehicles. As originally legislated, the eligibility of plug-in hybrid electric cars from the fringe benefits tax exemption will cease for these vehicles where they are provided on or after 1 April 2025. Arrangements involving plug-in hybrid electric cars entered into between 1 July 2022 and 31 March 2025 remain eligible for the Electric Car Discount.

The FBT exemption will continue to apply to battery electric vehicles and hydrogen fuel cell electric vehicles.

Business taxation

Small business support – $20,000 instant asset write-off

From 1 July 2023

The government has announced it will temporarily increase the instant asset write-off threshold to $20,000, from 1 July 2023 until 30 June 2024.

Small businesses, with aggregated annual turnover of less than $10m, will be able to immediately deduct the full cost of eligible assets costing less than $20,000 that are first used or installed ready for use between 1 July 2023 and 30 June 2024. The $20,000 threshold will apply on a per asset basis, so small businesses can instantly write off multiple assets.

Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15 per cent in the first income year and 30 per cent each income year thereafter.

The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years if they opt-out will continue to be suspended until 30 June 2024.

Helping small business manage their tax instalments and improve cash flow

From 1 July 2023

The government has announced it will amend the tax law to set the GDP adjustment factor for pay as you go (PAYG) and GST instalments at 6 per cent for the 2023–24 income year, a reduction from 12 per cent under the statutory formula.

The reduced factor will provide cash flow support to small businesses and other PAYG instalment taxpayers.

The 6 per cent GDP adjustment rate will apply to small businesses and individuals who are eligible to use the relevant instalment methods (up to $10m aggregated annual turnover for GST instalments and $50m annual aggregate turnover for PAYG instalments), in respect of instalments that relate to the 2023–24 income year and fall due after the enabling legislation receives Royal Assent.

Small business energy incentive

From 1 July 2023

The government has announced small and medium businesses, with aggregated annual turnover of less than $50m, will be permitted to deduct an additional 20 per cent of the cost of eligible depreciating assets that support electrification and more efficient use of energy. Up to $100,000 of total expenditure will be eligible for the Small Business Energy Incentive, with the maximum bonus deduction being $20,000.

A range of depreciating assets, as well as upgrades to existing assets, will be eligible for the Small Business Energy Incentive. These will include assets that upgrade to more efficient electrical goods, such as:

- energy-efficient fridges
- heat pumps and electric heating or cooling systems, and
- demand management assets such as batteries or thermal energy storage.

Eligible assets will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024. Eligible upgrades will also need to be made in this period.

Certain exclusions will apply such as electric vehicles, renewable electricity generation assets, capital works, and assets that are not connected to the electricity grid and use fossil fuels.

Social security

Increase to Working Age Payments

From 20 September 2023

The government has announced it will provide additional funding to increase support for people receiving working age payments including the JobSeeker Payment.

Specifically, the government has announced it will:

- increase the base rate of working age and student payments by $40 per fortnight. This increase applies to the JobSeeker Payment, Youth Allowance, Parenting Payment (Partnered), Austudy, ABSTUDY, Disability Support Pension (Youth), and Special Benefit.
- extend eligibility for the existing higher single JobSeeker Payment rate for recipients aged 60 years and over to recipients aged 55 years and over who are on the payment for 9 or more continuous months.

The government says that around 52,000 eligible recipients will receive an increase in their base rate of payment of $92.10 per fortnight.

The increased support for recipients aged 55 years and over, the majority of whom are women, acknowledges the additional challenges older Australians face in re-entering the workforce, such as age discrimination or poor health.

Increased access to Parenting Payment (Single)

From September 2023

The government announced it will increase the eligibility age of the youngest child for single principal carers receiving Parenting Payment, from 8 to 14 years of age.

This change will allow single principal carers to remain on Parenting Payment for up to 6 additional years until their youngest child reaches age 14.

Under current rules, once the youngest child reaches age 8 the single principal carer is moved to another income support payment such as JobSeeker Payment which has a lower maximum rate of payment. The current base rate of JobSeeker Payment is $745.20 per fortnight whereas the base rate of Parenting Payment (Single) is $922.10 per fortnight.

In addition, the Government will abolish ParentsNext from 1 July 2024 and develop a replacement voluntary program, to provide high-quality pre-employment support. This will end the risk of losing payments and take away unnecessary stress and anxiety from participants, who are mostly women and single parents.

Increased support for Commonwealth Rent Assistance recipients

From 20 September 2023

The government will provide additional funding to increase the maximum rates of the Commonwealth Rent Assistance (CRA) allowances by 15 per cent to help address rental affordability challenges for CRA recipients.

This represents the largest increase in Commonwealth Rent Assistance in over 30 years applying to both singles and couples. For single people, the maximum rate of rent assistance increases from $157.20pf to $180.80pf.

Temporary changes to the work bonus to incentivise pensioners into the workforce extended

The government will extend the measure to provide age pensioners and veteran pensioners, a once-off credit of $4,000 to their Work Bonus income bank and temporarily increase the maximum income bank until 31 December 2023.

Under this measure, pensioners can earn up to $11,800 before their pension is reduced, supporting pensioners who want to work, or work more hours, to do so without losing their pension.

FirstTech comment: Re-statement of existing extension

This Budget announcement is a re-statement of the measure originally announced in September 2022. The measure has been **legislated** and was effective from 1 December 2022 to 31 December 2023.

Cheaper childcare commences in July

Legislated measure to take effect from July 2023

The government has re-announced their commitment to a previously legislated measure[3] aimed at providing more affordable childcare. The measure, which was legislated in November 2022, will commence from July 2023.

The government says around 1.2 million families will begin to benefit from cheaper childcare. Child Care Subsidy rates will increase up to 90 per cent for eligible families and up to 95 per cent for any additional children in care aged 5 years and under.

Aged care

Aged care regulatory reform

The government has committed to provide over $300m in additional funding over 5 years from 2022–23 to implement the recommendations from the Royal Commission into Aged Care Quality and Safety and other initiatives to strengthen the regulation of the aged care sector and improve the health and safety of older Australians receiving aged care.

Initiatives to be funded include:

- improving the accountability and transparency of approved aged care providers through enhancements to the Star Rating system
- supporting the development and implementation of a new, stronger Aged Care Regulatory Framework to support the new Age Care Act which is due to commence from 1 July 2024
- establishing a national worker screening and registration scheme from 1 July 2024
- ensuring the Aged Care Quality and Safety Commission is appropriately resourced to deliver its audit and compliance program in 2023–24
- improving the food and nutrition in aged care through the development, monitoring and enforcement of food and nutritional standards.

The government says this measure builds on the 2022–23 October Budget measure titled Fixing the Aged Care Crisis which included:

- a plan to ensure aged care residents have access to a registered nurse in every aged care facility on site, 24 hours a day, seven days a week
- enabling every aged care resident to receive an average of 215 minutes of care per day
- ensuring better food for aged care residents.
- providing tailored support for older people with a disability.

[3] **Family Assistance Legislation Amendment (Cheaper Child Care) Bill 2022**

Improving aged care support

From 1 July 2022

The government will provide additional funding over 5 years from 2022–23 to continue to improve the delivery of aged care services and respond to the Final Report of the Royal Commission into Aged Care Quality and Safety. Funding includes:

- extension of Disability Support for Older Australians Program
- introduction of a new General Practice in Aged Care incentive payment to improve general practitioner attendance and continuity of care in residential aged care homes, and to reduce avoidable hospitalisations
- a new place assignment system, allowing older Australians to select their residential aged care provider.

This measure extends the 2022–23 October Budget measure titled Implementing Aged Care Reform.

Improving the investment in Aged Care

The government will temporarily reduce the residential aged care provision ratio from 78.0 places to 60.1 places per 1,000 people aged over 70 years. The reduction in the ratio reflects the increasing preference of older Australians to remain in their homes and will save $2.2 billion over 3 years from 2024–25.

Funding pay increases for aged care workers

From 1 July 2023

The government will increase the wages of aged care workers by 15% from 1 July 2023.

This measure funds the outcome of the Fair Work Commission's decision on the Aged Care Work Value Case.

The increase will benefit 250,000 people including registered nurses, enrolled nurses, assistants in nursing, personal care workers, head chefs and cooks, recreational activities officers (lifestyle workers), and home care workers.

Younger people in residential aged care

From 2023-24

The government will provide additional funding over 3 years from 2023–24 to implement a number of initiatives to further reduce the number of people under the age of 65 living in residential aged care. Some of the initiatives include:

- providing targeted education and training packages for General Practitioners, clinical staff, social workers, carers, advocates, families, and other organisations, and people that support and influence the decision making of younger people in residential aged care
- establishing a central function in the Department of Health and Aged Care to support nationally consistent decision making on the eligibility of younger people seeking to enter residential aged care
- evaluating actions already taken by governments to reduce the number of younger people in residential aged care, to inform future initiatives.

Other

Housing (build-to-rent developments) – accelerating tax deductions and reducing managed investment trust withholding tax rate

From Budget night

The government has announced, for eligible new build-to-rent projects where construction commences after 7:30pm (Sydney time) on 9 May 2023 (Budget night), it will:

- increase the rate for the capital works tax deduction (depreciation) from 2.5 per cent to 4 per cent per year
- reduce the final withholding tax rate on eligible fund payments from managed investment trusts (MITs) attributed to newly constructed build-to-rent developments from 30 per cent to 15 per cent.

This measure will apply to build-to-rent projects consisting of 50 or more apartments or dwellings made available for rent to the general public. The dwellings must be retained under single ownership for at least 10 years before being able to be sold and landlords must offer a lease term of at least 3 years for each dwelling.

The reduced managed investment trust withholding tax rate for residential build-to-rent will apply from 1 July 2024. Consultation will be undertaken on implementation details, including any minimum proportion of dwellings being offered as affordable tenancies and the length of time dwellings must be retained under single ownership.

FirstTech comment: Build-to-rent (BTR)

Build-to-rent (BTR) developments are a fairly new concept in urban housing development in Australia, where developers of apartment complexes retain ownership and management of the complex and rent out directly to tenants. These developments may offer the potential for more affordability than traditional rentals where government incentives also apply.

Expand the eligibility of the Home Guarantee Scheme

The government has announced it will expand the eligibility of the Home Guarantee Scheme to:

- allow two eligible people to be joint applicants for a guarantee beyond spouses and de facto partners
- allow non-first home buyers who have not owned a property in Australia for at least 10 years to access the First Home Guarantee and Regional Home Guarantee
- allow a single legal guardian of children to access the Family Home Guarantee
- allow Australian permanent residents to access the Scheme.

The Home Guarantee Scheme includes:

- The First Home Guarantee – supports eligible first home buyers to buy their first home sooner, with a deposit as little as 5%.
- The Regional First Home Buyer Guarantee – to support eligible regional first home buyers to buy a home in a regional area.
- The Family Home Guarantee – to support eligible single parents with at least one dependent child to buy a home, with a deposit as little as 2%.

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