FEDERAL BUDGET CHANGES TO SUPER AND PENSIONS

Product Update | 20 May 2022

The Federal Government delivered its 2022/23 Budget early on 29 March 2022 with no significant announcements for super and pensions other than the temporary reduction to the minimum pension continuing for another year, read more here.

However, soon there'll be some important changes to super and pensions with the below 2021/22 Budget measures becoming law effective from 1 July 2022. Another important change to super with fund stapling is also detailed in this Update.

We recommend that you seek financial and tax advice if unsure about any of these changes and how they may impact you.

1. 2021/22 FEDERAL BUDGET CHANGES FROM 1 JULY 2022

Work test is repealed

Individuals aged 67 to 74

Individuals aged 67 to 74 (inclusive) are no longer required to meet the work test when making, or receiving, non-concessional contributions or salary sacrificed contributions to super.

The work test requires individuals to have been gainfully employed for at least 40 hours in 30 consecutive days during the financial year of the contribution.

Personal deductible contributions to super, will still be subject to meeting the work test for individuals aged 67 or over at the time of the contribution.

Extension of the bring forward rule – non concessional contributions

Individuals aged 67 to 74

From the 2022/23 financial year, individuals aged 67 to 74 will also be able to access the non-concessional 'bring forward' arrangement over a three-year period (subject to eligibility).

For example, they will be able to make or receive non-concessional contributions to their super in a financial year of up to three times the annual non-concessional contributions cap (depending on their total super balance at 30 June of the last financial year), without paying extra tax. Refer to Australian Taxation Office (ATO) website at **ato.gov.au** for the non-concessional contributions cap amount applying to you for a financial year.

Eligibility age for making a downsizer contribution is reduced

Individuals aged 60 and over

The eligibility age to make a downsizer contribution to super will reduce from 65 to 60 years of age.

The downsizer contribution allows eligible individuals to make a one-off contribution to their super of up to $300,000 per person (or $600,000 per couple) from the proceeds of selling their home (i.e. which they and/or their partner owned at least 10 years before the sale and meets other criteria).

The downsizer contribution does not count towards the non-concessional contribution cap, and can be made regardless of work status or total super balance. This contribution cannot be claimed as a tax deduction.

Minimum income threshold for SG contributions is removed

Employees earning less than $450 per month

Employees will no longer be required to earn a minimum amount of income each month before they become eligible to receive a superannuation guarantee (SG) contribution from their employer to their super. Currently, employers are not required to make SG contributions for their employees earning less than $450 per month. The superannuation guarantee rate for the contribution will be 10.5% of an employee's ordinary time earnings from 1 July 2022.

First Home Super Saver (FHSS) scheme – amount released is increased

Individuals who are first home buyers

The maximum amount of 'voluntary contributions' that can be released from super under the First Home Super Saver (FHSS) scheme to help purchase a first home increases to $50,000 from $30,000.

Individuals will still be able to release up to $15,000 of voluntary contributions from any one financial year, but this will increase up to a total of $50,000 contributions across all financial years, plus earnings.

'Voluntary contributions' that can be released under the FHSS scheme are voluntary concessional and non concessional contributions made on or after 1 July 2017.

2. FUND STAPLING

On 1 November 2021, fund stapling ('stapling'), as legislated by the Federal Government, came into effect. Stapling is designed to stop individuals 'collecting' multiple super funds throughout their career. This will help individuals to avoid multiple sets of fees, less paperwork, making it easier for them to keep track of their super along with reducing the chance of paying multiple insurance fees.

When individuals change jobs, their current super fund generally follows them to their new job. That is, their current super fund is 'stapled' to them. Their employer and the ATO will ensure their compulsory super contributions get made to their existing 'stapled' super fund. This will mean individuals don't have a new super fund opened for them every time they change jobs.

Importantly, individuals who are eligible, have the option to choose their super fund including when they change jobs. If they don't make a choice of super fund, their new employer will need to contact the ATO to get details of their stapled super fund. If they have a stapled fund, their employer needs to contribute to that fund unless the employee chooses a different super fund.

The ATO will use the following process to determine the stapled super fund:

- if there's no recently stapled fund, the fund which has received the most recent contribution (made before 30 June the previous financial year) will be chosen as the stapled fund
- if there's no eligible fund that has received a contribution recently, it'll go to the highest account balance as at the end of the last financial year, or
- if there's still no eligible fund, the ATO can choose what they believe to be the most appropriate fund out of the individual's available funds.

ANY QUESTIONS?

Please:

- speak with your financial adviser, or
- email **customer@onepathsuperinvest.com.au** or call Customer Services on **133 665**, weekdays between 8.30am and 6.30pm (AEST).

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