FEDERAL BUDGET 2021/22

Product Update | 25 June 2021

The Federal Government delivered its Budget on 11 May 2021 with some positive changes announced. Some of the key take outs of the budget proposals which are not yet law are summarised below. We recommend that you seek financial and tax advice if unsure about any of these measures and how they may impact you.

The below Budget measures are expected to become effective from 1 July 2022.

1) SUPERANNUATION

Repealing the work test

Individuals age 67 to 74

Individuals aged 67 to 74 (inclusive) will no longer be 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.

Individuals in this age group will also be able to access the non-concessional 'bring forward' arrangement over any 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.

Reducing the eligibility age for making a downsizer contribution

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).

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.

Removal of the minimum income threshold for SG contributions

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 10.0% of an employee's ordinary time earnings (includes overtime) from 1 July 2021 (then 10.5% from 1 July 2022).

This measure will improve equity in the super system by expanding the SG coverage for individuals with lower incomes and those who have casual positions with multiple employers.

Changes to the First Home Super Saver (FHSS) scheme

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 will increase to $50,000 from $30,000.

Specifically, 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.

Legacy retirement income product conversions

Individuals with term allocated, life-expectancy and lifetime pension products which started prior to 20 September 2007

Individuals invested in the above-mentioned products will have the choice to transition out of these legacy retirement income products and into a more contemporary account-based retirement product. Currently, individuals have restricted access to capital and flexibility of drawdowns with these legacy products.

Individuals will have a two-year window period to do this (we are expecting this to be from 1 July 2022 to 30 June 2024).

An individual will be able to fully commute their legacy retirement income product back into a super fund account. From here, they can decide to commence a more conventional account-based retirement pension, or take it as a lump sum or leave it in their super account. Any commuted reserves will not count towards the concessional contributions caps but will be taxed at 15%.

Individuals need to consider the social security consequences of taking up this option. Existing social security concessions that may apply to their legacy retirement income product will be lost upon conversion. However, exiting the legacy retirement product will not cause a Centrelink debt to arise.

2) EXTENSION OF THE LOW AND MIDDLE INCOME TAX OFFSET(LMITO)

Individuals who are low and middle income earners

The Government has further extended the availability of the LMITO tax offset for an additional 12 months. This provides a tax saving (maximum benefit) of $1,080 for individuals on taxable incomes between $48,000 and $90,000 and some benefit either side, before cutting out at a taxable income of $126,000 or more. The LMITO will be reduce tax for eligible individuals lodging their income tax return for the 2021/22 financial year.

ANY QUESTIONS?

Please:

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