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Australia introduces bill to implement Budget 2021 superannuation changes

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Australia's government has introduced the Treasury Laws Amendment (Enhancing Superannuation Outcomes for Australians and Helping Australian Businesses Invest) Bill 2021 to implement superannuation changes announced in the 2021 Budget, which will take effect 1 Jul 2022.

Highlights

Removal of the AU$450 per month minimum earnings threshold for Superannuation Guarantee (SG) contributions. Currently, an employer is not required to pay SG contributions for an employee who earns less than AU$450 in a calendar month. The Retirement Income Review estimates that this affects around 300,000 individuals, 63% of whom are women. Those affected include employees working a limited number of hours in one job, and those working a number of different jobs where they earn less than AU$450 per month from one or more of those jobs. The application of the current threshold provides an incentive to employers to spread the available work among a greater number of employees to minimize superannuation costs.

This measure will improve equity by expanding SG coverage for cohorts with lower incomes, and ensure that most employees receive superannuation for all ordinary hours of work. SG contributions will still not be required for employees aged under 18 who work 30 hours or less a week or those who do domestic or private work for less than 30 hours per week.

More flexibility for older employees. The work test for voluntary nonconcessional and salary sacrificed superannuation contributions for those aged 67 to 74 would be removed. The work test requires an individual to have been "gainfully employed" for at least 40 hours in any consecutive 30-day period in the income year in which the contributions are made. A limited "first year of retirement" exception applies for those meeting certain eligibility conditions. The Bill preserves the work test for personal tax-deductible contributions made by individuals aged between 67 and 75.

In addition, the nonconcessional superannuation contributions "bring-forward rule" would be extended to age 74, and down-sizer contributions would be allowed for those aged 60 to 64. Currently, eligible individuals under age 67 at the start of a financial year can use the bring-forward rule to make up to three years of nonconcessional contributions in that year.

These changes will be a welcome simplification for members and super funds, who currently have to administer cumbersome work-test restrictions on voluntary contributions for members aged 67 to 74.

Releases under the First Home Super Saver Scheme. The bill would increase the maximum amount of voluntary contributions individuals are able to release under the First Home Super Saver Scheme to AU$50,000 — up from AU$30,000. This amendment does not alter the AU$15,000 limit on the amount of voluntary contributions from any one financial year that are eligible to be released.

Additional flexibility for pension earnings tax exemption calculations. The Bill includes a 2019-20 Budget measure to provide flexibility for trustees to use their preferred method of calculating exempt current pension income — where the fund is fully in the retirement phase for part of the income year, but not for the entire income year. This change would begin in the 2021-22 income year and mainly affects self-managed superannuation funds.

Related resource

- Treasury Laws Amendment (Enhancing Superannuation Outcomes For Australians and Helping Australian Businesses Invest) Bill 2021 (Government)

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