Superannuation changes:

Increasing the maximum releasable amount to $50,000 under the First Home Super Saver Scheme

Under existing First Home Super Saver Scheme (FHSSS) rules, a person can only apply to have up to $30,000 of their eligible voluntary contributions plus a deemed earnings amount released from super to purchase their first home.

However, the Government is intending to increase the maximum releasable amount for the FHSSS from $30,000 to $50,000.

The measure is expected to take effect on 1 July 2022 pending the passage of legislation through Parliament.

What this could mean to you

This could allow you to use the tax concessions associated with super to save an even larger deposit towards the purchase of your first home.

Super Guarantee rate increase going ahead

Notably, the Federal Budget did not mention the legislated increases to the Super Guarantee, leading to the assumption that the changes will take place from 1 July 2021 as planned.

As a result, employers must pay 10% of their employees' earnings into their nominated super fund from 1 July 2021, up from the current rate of 9.5%.

What this could mean for you

If you're an employee and receiving Super Guarantee contributions, your employer will start contributing an additional 0.5% of your earnings to super for you from 1 July this year.

Removal of the $450 per month minimum Super Guarantee threshold

The Government has announced its intention to remove the $450 per month minimum Super Guarantee income threshold.

Under the current rules, an employer is not required to pay super guarantee contributions for an employee who earns less than $450 per month.

The measure is expected to take effect on 1 July 2022 pending the passage of legislation through Parliament.

What this could mean for you

If you do a small amount of paid work each month, or you work multiple jobs each paying less than $450 per month, your employer will be required to start paying super guarantee contributions for you. If you are a student studying at university this will also help you start accumulating a retirement nest egg a little earlier.

End of the work test for after-tax contributions for people aged up to 74

People up to the age of 74 will be able to make or receive after-tax (including under the bring-forward rule) or salary sacrifice super contributions without meeting the work test, subject to existing contribution caps.

However, people up to the age of 74 wanting to make personal tax-deductible contributions will still have to meet the existing work test.

The measure is expected to take effect on 1 July 2022 pending the passage of legislation through Parliament.

What this could mean for you

If you're a retiree under age 75, you'll have more flexibility to top up your super without needing to work at least 40 hours in 30 consecutive days in a year before making a contribution. Further, your fund will be able to receive salary sacrifice contributions for you without needing to confirm you satisfy the work test first.

As for how the bring-forward rule will apply, if you're under the age of 67 at the start of the year and have since turned 67 at the time of contribution, you'll be able to make an after-tax contribution of up to $110,000 without first needing to satisfy the work test (or up to $330,000 under a proposal to extend the bring forward rules to people under age 67 that is yet to be legislated).

Reduction of the eligibility age for downsizer contributions to 60

Anyone 60 years of age and older will be eligible to make a downsizer contribution. The downsizer contribution allows people to make a one-off after-tax contribution to super of up to $300,000 from the proceeds of selling their home they have held for at least 10 years.

Under the rules both members of a couple can make downsizer contributions in respect of the same home, and the contributions do not count towards a member's non-concessional contribution caps.

The measure is expected to take effect on 1 July 2022 pending the passage of legislation through Parliament.

What this could mean for you

If you're an eligible couple in your early sixties, you can potentially sell your home to contribute up to $1.26m to super in a year via a combination of $300,000 downsizer contribution and $330,000 non-concessional contribution each.

However, if you're a person in your early sixties wanting to contribute a much smaller amount, it might be a good idea to see an adviser to get advice on what type of contributions you should make.

For example, if you have $300,000 from the sale of your home that you wanted to contribute to super, you might be better off making a $300,000 after-tax contribution under the bring-forward rules in order to preserve your ability to make a downsizer contribution in the future.

End of the Government's temporary halving of the account based pension minimums.

In early 2020, the Government made some changes to pension payments that were designed to help people who were under financial stress as a result of some of the economic impacts of Coronavirus. One of these changes was the temporary halving in the minimum amount people were required to take from their pension account. This reduction finishes on 30 June 2021, which means that the standard minimum drawdown requirements will apply from 1 July 2021.

What this could mean for you

If you have been receiving pension payments in 2020–21 that fall below the normal minimum that will be required in 2021–22, you're likely to see an increase in the pension you receive from July 2021. For example, if your total annual pension payment is currently 2% of your account balance, in the 2021–22 financial year it will increase to 4% of your account balance. Please note that this percentage is dependent on your age on 1 July each year.

This document has been prepared by Colonial First State Investments Limited ABN 98 002 348 352, AFS Licence 232468 (Colonial First State) and Avanteos Investments Limited ABN 20 096 259 979, AFS Licence 245531 (AIL) based on their understanding of current regulatory requirements and laws as at 11 May 2021. Colonial First State is the issuer of super, pension and investment products. AIL is the issuer of superannuation and pension products and is the operator of investor directed portfolio services. This document may include general advice but does not take into account your individual objectives, financial situation or needs. You should read the relevant Product Disclosure Statement (PDS) or Investor Directed Portfolio Service Guide (IDPS Guide) carefully and assess whether the information is appropriate for you and consider talking to a financial adviser before making an investment decision. PDSs for Colonial First State's products are available at colonialfirststate.com.au or by calling us on 13 13 36. Investors can obtain PDSs and IDPS Guides for wrap products from their adviser. Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information.
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