Private Capital Advisers

2021 Federal Budget
Superannuation and Taxation Summary

SUPERANNUATION

All measures outlined below, other than the proposed changes to legacy retirement products, are expected to commence from 1 July 2022, once they have received Royal Assent.

Repealing the work test for voluntary contributions

Currently when a person aged between 67 and 75 wishes to make a voluntary contribution to superannuation, they must meet a work test. That is, they must be gainfully employed or self-employed for a minimum period of 40 hours, worked within 30 consecutive days, in the financial year in which they plan to contribute.

It is proposed individuals aged 67 to 74 (inclusive) will be able to make non-concessional (including under the bring-forward rule) or salary sacrifice contributions without meeting the work test, subject to existing contribution caps and existing total superannuation balance limits.

This will allow many Australians to top up their superannuation in their later years.

Reducing the eligibility age for downsizer contributions

Currently downsizer contributions allow people aged 65 or older the ability to make a one-off contribution to superannuation of up to $300,000 from the sale proceeds from an eligible dwelling.

In the Budget, the government announced they will reduce the age from 65 to 60 years of age. All other eligibility criteria remain unchanged. These contributions will continue not to count towards non-concessional contribution caps.

Relaxing residency requirements for SMSFs

SMSFs and small APRA funds will have relaxed residency requirements through the extension of the central management and control test safe harbour from two to five years. The active member test will also be removed, allowing members who are temporarily absent to continue to contribute to their SMSF.

Removing the $450 per month threshold for superannuation guarantee eligibility

The Government will remove the current $450 per month minimum income threshold, under which employees do not have to be paid the superannuation guarantee by their employer.

Legacy retirement product conversions

Many SMSFs still have old-style retirement income products in place. Individuals will be able to exit a specified range of legacy retirement products, together with any associated reserves over a two-year period. The specified range of legacy retirement products includes market-linked, life expectancy and lifetime products, but not flexi-pension products or a lifetime product in a large APRA-regulated or public sector defined benefit scheme.

Currently, these products can only be converted into another like product and limits apply to the allocation of any associated reserves without counting towards an individual's contribution cap. Social security and taxation treatment will not be grandfathered for any new products commenced with commuted funds. Amounts commuted from reserves will be taxed as an assessable contribution but will not count towards an individual's concessional contribution cap or give rise to excess contributions.

This measure will take effect from the first financial year after the date of Royal Assent of the enabling legislation.

TAXATION

Full Expensing

This 2020-21 measure is to be extended to 30 June 2023. It applies to businesses with an aggregate turnover or total income of less than $5bn and allows business owners to deduct the full cost of eligible depreciable assets acquired between 6 October 2020 and first used or installed ready for use by 30 June 2023.

Temporary loss carry-back extensions

Ordinarily, companies are required to carry losses forward to offset profits in future years. The Government has announced that it will extend the temporary loss carry-back measure a further 12 months. Temporary losses from the 2022-23 financial year can be offset against previously taxed profits back to the 2018-19 financial year. This measure is available to businesses with a turnover of less than $5bn.