



Construction & Building Industry Super

Quick Facts

Federal Budget 2019-20

This update is intended to keep readers informed of current developments in superannuation and is not intended to be used as a substitute for professional advice. It doesn't take into account your specific needs, so you should look at your own financial position, objectives and requirements before making any financial decisions. Read the relevant Cbus Product Disclosure Statement to decide whether Cbus is right for you.

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Federal Budget super update

Quick Facts

Federal Budget 2019–20



All the changes announced are what the Government plans to do.

No changes are law, and none are implemented purely off the back of being presented in the Federal Budget.

Before making any decisions, you need to check whether any of these announcements have become law.

The 2019–20 Federal Budget was launched on **Tuesday 2 April 2019** by the Government. As a Federal election will be held in May 2019, all Government announcements in the Budget are contingent on the Government being re-elected. These announcements can't become law in the time between the Budget announcement and the Prime Minister calling the election.

This fact sheet is a summary of proposals that are relevant for Cbus super members, income stream members and our employers.

Super didn't feature strongly in the announcements this year. The proposed Budget is projected to return to a surplus of \$7.1 billion for the first time in 12 years. However, this goal relies largely on circumstances outside the Government's control such as the global economy, consumer spending and commodity prices. At 30 June 2019, the Budget is still projected to be in deficit by \$4.2 billion.

The Budget relies heavily on a forecast surplus, tax cuts and savings from social security, with a focus on infrastructure spending. Many observers consider the underlying Budget assumptions and forecast surplus optimistic.

For working people

Many workers will lose default insurance cover

In last year's Budget, the Government announced plans under the *Protecting Your Super Package* to remove people under age 25 and those with low balance accounts from default insurance arrangements with their super fund. This year they confirmed that if they are re-elected, that plan would come into effect from 1 October 2019. If they choose to have insurance cover but are under age 25 or have less than \$6,000 in their super account, workers will have to actively notify their super fund of their choice (i.e. they will have to opt in).

As reported last year, there are likely to be unintended consequences from the Government's one-size-fits-all plan for insurance, given the very real impact on the hundreds of thousands of people who trust Cbus to protect them with appropriate levels of cover. Cbus has been advocating for our members who work in some of the most hazardous conditions in the country.

If this change were to go through, it would result in fewer workers having the financial safety net that default death and disability insurance cover provides.

It's Cbus' experience that most members typically have dependants, debts and responsibilities three to four years after they start work at around age 18. For members aged between 21 and 25, the vast majority of insurance claims are paid to their dependants, showing the importance of death cover in protecting families – even in these early working years.

Transferring accounts without instruction

From 1 July 2019, certain accounts with less than \$6,000 will be transferred to the ATO if the person:

- hasn't received a contribution or rollover into their account for 16 months, and
- hasn't taken other key account actions (e.g. making a binding nomination or changing investments).

The ATO will attempt to transfer the amount into a person's active super account within 28 days, where possible. If unable to do so, the ATO will hold this money until it is able to return it to an active super account for this person.

Cbus is concerned that our members often have broken work patterns that deliver periods of false inactivity. Similarly, while past investment performance is not a guarantee of future performance, we're mindful that our long-term investment performance is higher than the earnings the ATO would apply to any super accounts they hold.

Recovering unpaid super

After many years of Cbus advocating that a lot of our members are missing out on receiving their super entitlements, the Government has recognised that unpaid super is an ongoing issue that can rob workers of their comfort in retirement. In acknowledgement that the ATO may not be sufficiently resourced to deliver on its responsibilities, an additional \$42.1 million of funding is planned for the next four years.

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For older workers nearing retirement

Improving flexibility for older Australians

The Government plans to lift the age restrictions for some of its super contribution rules:

- Currently, people aged 65 and over can only make voluntary super contributions if they work at least 40 hours in a continuous 30-day period. This is called the 'work test'.
 - > From 1 July 2020, it's proposed that people aged 65 and 66 can make voluntary contributions without meeting the work test.
- Currently, people aged 65 and over can't access 'bring forward' arrangements that allow them to essentially make three years of non-concessional contributions in a single tax year.
 - > From 1 July 2020, it's proposed that this age restriction is lifted to age 67.
- Currently, people aged 70 and over cannot receive spouse contributions from their partners.
 - > From 1 July 2020, it's proposed that this age restriction is lifted to age 74.

These changes have the potential to give older Australians greater flexibility to save for retirement, and Cbus supports measures that give workers more opportunity to boost super savings in their last few working years.



For businesses

While not directly related to super, these planned changes are likely to have a broad impact.

Tax relief for small and medium-sized business

Every asset costing up to \$30,000 will be eligible for an instant write-off. This ability will also be expanded to businesses with a turnover of \$50 million (or roughly an additional 22,000 businesses).

Recovering unpaid super

As noted above, the Government will provide \$42.1 million over four years to the ATO to increase activities to recover unpaid tax and super liabilities. While the majority of employers do the right thing, some employers don't pay super when they should, and these activities will focus on larger businesses to ensure on time payment of their tax and super.

Skills package to foster apprenticeships

The Government has proposed a \$525 million skills package to create around 80,000 new apprentices in a number of industries Australia-wide. Employers will receive a \$4,000 incentive payment for every apprentice in addition to existing incentives.

Other changes of interest

Lower taxes

From last year's Budget, the Government's seven-year tax plan began to provide Australians with \$158 billion in tax relief. This will be expanded from 1 July 2019 to include those earning \$126,000 per year and means that ten million Australians will get some relief, with four million receiving the full tax cut.

Energy cost assistance

One-off payments to individuals and households across Australia have been promised later in 2019, to assist with rising energy costs.

Building more infrastructure

The Government is investing more to relieve urban congestion for city-dwellers, raising their commitment from \$1 billion to \$4 billion.

Cbus members literally build the nation and we welcome the jobs for our members that infrastructure investments should herald.



More information

Full details on the 2019–20 Federal Budget are available from www.budget.gov.au