Federal Budget 2021-22

Quick facts

Federal Budget super update

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 if Cbus is right for you. Call us on **1300 361 784** or visit **cbussuper.com.au** for a copy. While all care has been taken to ensure that the information in this update is correct, Cbus expressly disclaims all liability and responsibility to any person who relies, or partially relies, on the content, any error or misprint, or for any person who acts on this information.

Cbus' Trustee: United Super Pty Ltd
ABN 46 006 261 623 AFSL 233792
Cbus ABN 75 493 363 262.

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Federal Budget super update

Quick Facts

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The 2021–22 Federal Budget was released on **Tuesday 11 May 2021.**

Viewed by many as an early start to its pre-election campaign, the Government's second pandemic budget was delivered to help secure Australia's economic recovery.

This fact sheet outlines some of the key proposals and how they could impact Cbus super members, income stream members and our employers.

If you're working

Compulsory super to increase to 10%

From 1 July 2021, you're set to receive a boost in the compulsory super your employer contributes to your account.

Despite attempts by some Government backbenchers to prevent the increase, the Federal Budget didn't announce any changes to the previously legislated timetable to increase compulsory super. This change is already law and means that the rate will increase from 9.5% to 10% from 1 July 2021. It is also expected to progressively increase to 12% by 2025.

Cbus supports this much-needed boost to members' super accounts – particularly following a year when almost 200,000 Cbus members were forced to tap into their super savings through the early release scheme.

However, keep in mind that if your wages or salary is paid on an "including super" basis this may mean a reduction in your take home pay to reflect the additional 0.5% paid to super from 1 July 2021.

Earn less than $450 a month? You could soon qualify for compulsory super

Under the Government's proposals, from 1 July 2022, you no longer need to earn over $450 a month to qualify for compulsory super contributions from your employer. Instead, your employer will be required to pay compulsory super on every dollar of your normal wages (called your ordinary time earnings).

Cbus has long been advocating for the removal of this threshold, recognising that it significantly disadvantages workers with multiple part time or casual jobs.

Almost 2 out of 3* workers earning less than $450 a month are women, so this change could deliver super to around 200,000 extra working women.

Expanding the First Home Super Saver Scheme

In an attempt to help more first home buyers get into the property market, the Government has proposed expanding the First Home Super Saver Scheme (FHSSS).

The FHSSS lets you withdraw voluntary contributions you've made to your super (both before or after tax) for use in your first home deposit.

Under the proposals, from 1 July 2022, the maximum amount you can withdraw will increase from the current $30,000 to $50,000.

You can contribute up to $15,000 per year into your super under the FHSSS, but keep in mind that these contributions will count towards your annual contribution limits.

When your savings are withdrawn from super, any before-tax contributions and earnings must be declared in your tax return and will be taxed at your marginal tax rate (less a 30% tax offset). If you made any contributions from your after-tax income, no tax is payable on this amount.

Making super splitting easier if your relationship breaks down

Off the back of an earlier proposal, the Government confirmed that it plans to facilitate greater information sharing between the Australian Taxation Office (ATO) and the Family Law Courts that will allow super assets to be identified during family law proceedings.

Super is often one of the biggest assets you have as a couple. This change will help identify super assets sooner so that these assets can be split more fairly during a separation or divorce.

* Retirement Income Review, 20 November 2020, page 43: Women make up 63% of those earning less than $450 a month.

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Relaxing residency requirements for self-managed super funds

If you're the trustee of a self-managed super fund and living temporarily overseas, under the Government's proposals you may be able to top up your super savings while you're away.

The Government plans to relax the residency requirements for self-managed super funds (SMSFs) and small APRA-regulated funds (SAFs). This may give you the flexibility to keep contributing to your fund if you need to move overseas to work or study.

If you're in or nearing retirement

Top up your super without the work test from age 67

If you're aged 67 to 74, under the Government's proposals you'll be able to make or receive voluntary contributions to super without meeting the work test from 1 July 2022.

This means you'd no longer need to work at least 40 hours over a 30-day period in each financial year if you wanted to top up your super, or receive extra super contributions from your spouse. Under the current rules, from age 67 you'd need to meet the work test rules to do this (unless you were recently retired).

The only caveat is that if you plan to claim a tax deduction for any of your after-tax contributions to super, you'll still need to meet the work test.

We recognise that very few Cbus members are in a position to make extra contributions after age 67, but welcome this change which could help boost older members' super savings.

Contribute the proceeds of your house sale to super from age 60

If you're considering selling your family home, the Government plans to reduce the age you can make a one-off downsizer contribution to super from 65 to 60.

There are normally limits on how much you can contribute to super each year without paying tax penalties. But a downsizer contribution lets you contribute up to $300,000 into super from the sale of your home (or $600,000 as a couple).

This change provides greater flexibility for you to top up your super as you approach retirement. You're generally eligible to make a downsizer contribution to your super if:

- you're age 65 or over (planned to decrease to 60 from 1 July 2022)
- the money you're contributing is from the sale of your home
- your contribution is made within 90 days of receiving the proceeds of sale
- your home has been owned by you and/or your spouse for ten years or more
- your home is in Australia and is not a caravan, houseboat or other mobile home, and
- your home was, at one time, the main residence for you or your spouse for tax purposes.

Improving the Pension Loan Scheme

If you don't want to sell your family home but need more in retirement, the Government also plans to make it easier to unlock some of the equity in your home.

The Pension Loan Scheme lets older Australians apply for a loan from the Government to help supplement your retirement income. You need to own your own home to access these loans (as you borrow against the equity in your property) .

From 1 July 2022, the Government plans to improve the Pension Loan Scheme by:

- allowing up to two lump sum advances in any 12-month period (of around $12,000 for singles, and $18,000 for couples per year), and
- introducing a 'no negative equity guarantee' so you or your estate won't have to repay more than the market value of your property.

You must repay the loan and all costs and accrued interest. While you can make a repayment at any time, it's generally repaid from your estate on death.

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Helping retirees transition out of legacy retirement products

Some retirees are currently locked into retirement products that restrict withdrawals and offer little or no flexibility to help you cover health, aged care, and other large expenses in retirement.

The Government is proposing a two-year transition period from 1 July 2022 to help retirees exit these products without penalties. You would be able to:

- transfer the proceeds back to super
- convert to a more flexible pension product
- take the money as a lump sum payment, or
- do a combination of these.

Products proposed to be covered include market-linked, life-expectancy and lifetime products started before 20 September 2007 from any super or insurance provider, including self-managed super funds.

Greater support for aged care

In response to the scathing findings from the Royal Commission into Aged Care Quality and Safety, the Government has proposed a $17.7 billion package to overhaul Australia's aged care system.

This includes:

- clearing the home care waiting list by providing an additional 80,000 Home Care Packages
- improving the quality, safety and sustainability of residential aged care services, including mandating minimum staff times per aged care residents of 200 minutes per day (including 40 minutes by a registered nurse)
- supporting 1.6 million informal carers, including respite services for 8,400 carers, and
- improving access to aged care services for Aboriginal and Torres Strait Islander people and special needs groups, as well as people living in regional, rural and remote communities.

If you're an employer

Ensuring all workers are paid compulsory super

If enacted, the proposed removal of the minimum income threshold for super (see page 2) is likely to increase your super obligations.

If the law is passed, from 1 July 2022, you'll need to ensure that compulsory super is paid on every dollar of an employee's ordinary time earnings – regardless of how much they earn each month.

Incentives to hire

The Budget proposed an extra $2.7 billion to extend wage subsidies of new apprentices and trainees.

The program will pay businesses a 50% wage subsidy (over 12 months) for new apprentices or trainees signed up between 5 October 2020 and 31 March 2022.

This support will be capped at $7,000 per quarter per apprentice or trainee.

Visit **dese.gov.au/boosting-apprenticeship-commencements** for more information.

Tax cuts for small and medium businesses

The Government has proposed more than $16 billion in tax cuts to small and medium businesses by 2023-24.

This includes reducing the tax rate for small and medium companies to 25% from 1 July 2021.

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Extending the small business loan scheme

The SME Recovery Loan Scheme is set to continue under the Government's proposals. This helps lenders provide cheaper loans of up to $5 million for terms of up to 10 years, with interest rates capped at a maximum of 7.5% and the option of a 24-month repayment holiday.

The Scheme is available to SMEs with a turnover of up to $250 million that were:

- recipients of the JobKeeper payment between 4 January 2021 and 28 March 2021, or
- affected by the floods in eligible local government areas in March 2021.

Instant tax write-offs extended to 2023

Australian businesses with a turnover of up to $5 billion can continue to write-off the full cost of eligible assets purchased from 7.30pm on 6 October 2020, and first used or installed by 30 June 2023.

The proposed 12-month extension provides eligible businesses with more time to use the incentive and encourages businesses to bring forward any spending on new assets. There will be no cap on the value of the assets that can be claimed.

Investment in infrastructure

The Government announced funding proposals to support a number of infrastructure projects across Australia, including:

- $15 billion for additional infrastructure projects
- $1 billion for road safety upgrades and a further $1 billion for local road infrastructure projects
- $250 million for regional community infrastructure projects, and
- $1.2 billion over six years to invest in infrastructure and incentives to grow Australia's digital economy.

The new focus on digital infrastructure and digital skills is designed to create greater opportunities for growth and jobs in Australia.

Removing employee share scheme barriers

The Government plans to make it easier for businesses to offer employee share schemes by removing some of the regulatory and tax barriers.

This includes modernising the tax treatment of these schemes, and ensuring former employees won't have to pay tax on shares if they leave the business.

More information

Full details on the 2021–22 Federal Budget are available from **budget.gov.au**.

Cbus
Locked Bag 5056
PARRAMATTA NSW 2124

1300 361 784
8am to 8pm (AEST/AEDT)
Monday to Friday

cbusenq@cbussuper.com.au
cbussuper.com.au

Visit Cbus in person in Adelaide, Brisbane, Melbourne, Perth and Sydney.
Details: **cbussuper.com.au/contact**