fact SHEET

Maritime Super
OUR FUTURE

2021 Federal Budget summary

On 11 May 2021, the Treasurer released the 2021/22 Federal Budget. One of the key themes for this budget was to support Australian workers and businesses through COVID-19, as well as continue Australia's post-pandemic economic recovery by creating jobs and rebuilding the economy.

The Government has announced significant spending measures to create jobs and continue Australia's economic recovery.

Where super was concerned, there were a number of superannuation and retirement measures announced, most of which are either changes or adjustments to existing measures.

The following announcements are yet to be passed as law by Parliament, and may change or may not become law.

If you're working or saving for the future, you may be interested to know:

- the $450 Superannuation Guarantee (SG) threshold will be removed, so more people will be able to receive super contributions
- First Home Super Saver Scheme (FHSSS) will increase from $30,000 to $50,000.

If you're approaching retirement or have already retired, you may be interested to know:

- if you're aged 67-74, you will be able to make voluntary contributions into your super without having to meet the 'work test'
- the downsizing scheme will be extended to those over 60 (currently, the eligibility age is 65 years).

New thresholds on some existing measures from 1 July 2021

While not part of last night's Budget announcements, the thresholds for a number of existing super measures will increase from 1 July 2021, including increased amounts that you can voluntarily contribute to super before- or after-tax.

The key super rates and thresholds for 2021/22:

- the concessional contributions cap is $27,500, up from $25,000
- the non-concessional contributions cap is $110,000, up from $100,000;
- the general transfer balance cap is $1.7 million, up from $1.6 million.

The SG will also increase to 10% from 1 July 2021.

More on the key announcements

Removal of the $450 minimum monthly income threshold for the Superannuation Guarantee eligibility

Currently, employers are not required to pay superannuation to anyone earning less than $450 per month.

From 1 July 2022, this $450 threshold will be removed, meaning that people on low incomes, or working less, will receive some superannuation.

The Government projects that around 300,000 individuals will receive additional SG payments, 63% of whom are women.

First Home Super Saver Scheme (FHSSS) - amount to increase

The FHSSS is designed to help Australians save for their first home inside super by making voluntary contributions, which they can then apply to have released (along with associated investment earnings).

Currently, these contributions are capped at $15,000 any financial year up to a total of $30,000.

From 1 July 2022, total maximum amount of voluntary contributions that can be released under the FHSSS will be increased from $30,000 to $50,000. For a couple, both individuals will be able to utilise their caps up to a maximum of $100,000.

First home buyers cannot withdraw any of their compulsory super savings - only the voluntary contributions made into super can be released.

Super Splitting and Family Law

The Government will shortly introduce legislation to deliver the Improving the Visibility of Superannuation Assets in Family Law Proceedings measure, which was announced as part of the 2018 Women's Economic Security Statement.

This will be achieved by creating an electronic information sharing mechanism between the ATO and the Family Law Courts, which allows superannuation assets to be readily identified during family law proceedings. Allowing the ATO to provide this information to the Courts will ensure more just and equitable superannuation splitting outcomes.

Removal of the work test for voluntary (before- and after-tax) contributions

Currently, older Australians aged 67 to 74 can only make voluntary contributions (both concessional and non-concessional) into their super, or receive contributions from their spouse, if they are working at least 40 hours over a 30 day period in the relevant financial year. This is known as the 'work test'.

From 1 July 2022, the work test will be removed, meaning that people aged 67 to 74 can make or receive concessional or non-concessional contributions without meeting the work test, subject to the existing contribution caps.

Individuals aged 67 to 74 will also be able to access the non-concessional bring forward arrangement, subject to meeting the eligibility criteria.

Downsizer scheme - reduction in eligibility age for contributions

Retirees can take advantage of a downsizing contribution incentive to save up to $300,000 more in the home-stretch towards retirement.

Currently, the downsizer scheme is only eligible for those aged 65 and over. From 1 July 2022, the eligibility age to make downsizer contributions will be reduced from 65 to 60 years.

This means that downsizers aged 60 and over can deposit up to $300,000 each (with a total contribution of up to $600,000 for couples) into their super from the proceeds of selling their home.

Pension Loan Scheme ('PLS')

The flexibility of the Pension Loans Scheme is being improved by providing access to advance payments through allowing participants to access up to 26 fortnights' worth of top-up payments as a lump sum and introducing a No Negative Equity Guarantee.

No Negative Equity Guarantee will mean that borrowers under the PLS (or their estate) will not owe more than the market value of their property, in the rare circumstances where their accrued PLS debt exceeds their property value. This brings the PLS in line with private sector reverse mortgages.