Superannuation measures

First Home Super Saver Scheme

As noted above, the maximum amount of voluntary contributions that can be released under the First Home Super Saver Scheme (FHSSS) will be increased from $30,000 to $50,000 (anticipated to start in 2022–23).

Other changes (to apply retrospectively from 1 July 2018) will assist FHSSS applicants who make errors on their FHSSS release applications, for example, by allowing individuals to withdraw or amend their applications prior to receiving a FHSSS amount.

In addition, the ATO will be allowed to return to a super fund any released FHSSS money that has not been paid to the individual. The money will be treated as the fund's non-assessable non-exempt income and will not count towards the individual's contribution caps.

SMSFs – residency requirements

The Government will relax residency requirements for self-managed super funds (SMSFs) and small APRA-regulated funds, by extending the central control and management test safe harbour from 2 to 5 years for SMSFs and removing the active member test for both fund types. The measure is anticipated to apply from 1 July 2022.

Legacy retirement products

There will be a 2-year period for individuals to convert a specified range of legacy retirement products, together with any associated reserves, to newer, more flexible products (currently, these products can only be converted into another like product). Products covered will include 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.

Social security and taxation treatment will not be grandfathered for any new products commenced with commuted funds and the commuted reserves will be taxed as an assessable contribution.

This measure will apply from the first financial year after the enabling legislation receives assent.

Other superannuation measures

Other superannuation measures announced as part of the Budget include:

- Reducing the eligibility age for the downsizer scheme from 65 to 60 (anticipated to apply from 1 July 2022). This means that Australians aged 60 or over will be able to make an additional non-concessional super contribution of up to $300,000 from the proceeds of the sale of their home:
- Scrapping the work test for those aged 67 to 74 (anticipated to apply from 1 July 2022). At present, individuals in that age bracket are required to be employed for at least 40 hours in a maximum period of 30 consecutive days in the financial year before they can make super contributions (concessional or non-concessional); and
- scrapping the requirement for workers to earn at least $450 a month before their employers are obliged to pay super (anticipated to apply from 1 July 2022).

The Government will *not* proceed with a measure to extend early release of super to victims of family and domestic violence.

Superannuation guarantee

There had been speculation that the Government might defer the legislated increases in the super guarantee (SG) rate, but that did not happen in the Budget. Accordingly, the SG rate is still due to increase from 9.5% to 10% from 1 July 2021, and by 0.5% per year from 1 July 2022 until it reaches 12% from 1 July 2025.

Note that the SG opt-out income threshold will increase to $275,000 from 1 July 2021 (it is currently $263,157).