# NEW FINANCIAL YEAR
# SUPER CHANGES

**From 1 July 2021, a range of new superannuation changes take effect.**

**The Superannuation Guarantee rate is increasing and there are changes to contribution rules and caps that increase opportunities to get more money into superannuation.**

**For those wanting to access their superannuation, indexation of the transfer balance cap from 1 July 2021 increases the amount that can be transferred into tax effective income streams for many people.**

## Super contribution changes

From 1 July 2021 a number of superannuation contribution rules, caps and thresholds are changing.

### Super guarantee increasing to 10%

From 1 July 2021, the rate of compulsory super your employer pays into your super account will rise from 9.5% to 10%.

The superannuation guarantee rate will then continue to increase by 0.5% each year until it reaches 12% on 1 July 2025:

- 2021–22: 10%
- 2022–23: 10.5%
- 2023–24: 11%
- 2024–25: 11.5%
- 2025–26 onwards: 12%

### Increased concessional contributions cap

From 1 July 2021, the cap that limits the amount of concessional (pre-tax) contributions a person can make each year is increasing:

| | Cap up to 30 June 2021 | Cap from 1 July 2021 |
|---|---|---|
| Concessional contributions cap | $25,000 p.a. | $27,500 p.a. |

In addition, a person may be able to make pre-tax concessional contributions exceeding $27,500 from 1 July 2021, by utilising carry-forward concessional contributions.

Since 1 July 2018, a person can carry-forward any unused concessional cap amounts for up to five years, and use these amounts to make higher concessional contributions in a financial year where their total superannuation balance was less than $500,000 at the end of the previous financial year.

### Increased non-concessional cap

From 1 July 2021, the cap that limits the amount of after-tax (non-concessional) contributions a person can make each year, as well as over a number of years under the bring-forward rule, is increasing:

| | Cap up to 30 June 2021 | Cap from 1 July 2021 |
|---|---|---|
| Standard non-concessional contributions cap | $100,000 p.a. | $110,000 p.a. |
| Maximum non-concessional contributions cap under bring-forward rule | $300,000 over three years. | $330,000 over three years. |

### Bring-forward rule extended to 65 and 66 year olds from 1 July 2020

Due to some recent rule changes, a person under 67 at the start of a year may now be able to make large post-tax non-concessional contributions under the bring-forward rule. Previously, a person needed to be under age 65 at the start of the year to be eligible to use the bring-forward rule.

While this change only passed parliament in June 2021, it applies from 1 July 2020.

This means people that were age 65 or 66 at the start of the financial year may now have the flexibility to make additional non-concessional contributions under the bring-forward rules. However, if a person has already turned 67 they will need to satisfy a work test to make the contribution.

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### Higher non-concessional contributions cap thresholds

From 1 July 2021, the total amount of super savings (known as Total Superannuation Balance) a person can have and still be allowed to make post-tax non-concessional contributions without being subject to potential tax penalties is increasing from $1.6m to $1.7m[1].

In addition, the total amount of super a person can have and still make post-tax non-concessional contributions under the bring-forward rule without being subject to tax penalties is also increasing.

For example, the total amount of super a person can have and still be able to make post-tax non-concessional contributions of up to $330,000 without potential tax penalties applying is increasing from $1.4m to $1.48m[2] on 1 July 2021.

The following table summarises the new rules.

| Total super balance at 30 June at end of previous financial year | Non-concessional cap under bring-forward rule |
|---|---|
| Less than $1.48m | $330,000 over three years |
| At least $1.48m but less than $1.59m | $220,000 over two years |
| At least $1.59m but less than $1.7m | $110,000 (no bring-forward) |
| $1.7m or more | Nil |

## COVID-19 early release re-contributions

From 1 July 2021, a person that accessed their super to withdraw up to $20,000 of COVID-19 early release amounts, will be permitted to re-contribute an amount equal to the amount they withdrew up until 30 June 2030.

COVID-19 early release contributions[3] will not count towards the non-concessional contributions cap and a deduction cannot be claimed for these contributions.

## Income stream changes

From 1 July 2021, a number of important income stream rule changes take effect.

### Halving of minimum pension payments

In 2019-20, the Federal Government announced that the minimum pension payment requirement for account based pensions would be halved for the 2019–20 and 2020–21 financial years due to the financial impacts of the Coronavirus.

This halving of the minimum pension payment requirements has now been extended for another 12 months to cover the 2021–22 financial year. These rules apply to:

- Account based pensions
- Transition to retirement pensions
- Allocated pensions, and
- Term allocated pensions.

### Higher transfer balance cap (TBC)

From 1 July 2021, the general Transfer Balance Cap (TBC) which limits the amount of superannuation that a person can use to commence a retirement phase income stream, will increase by $100,000 from $1.6m to $1.7m due to indexation.

This means that people who retire on or after 1 July 2021 may be able to use their super savings to commence a tax effective superannuation pension, such as an account based pension, for up to $1.7m.

### Proportional indexation of a person's personal TBC

If a person has already retired and commenced a retirement phase income stream prior to 1 July 2021, they will also be entitled to indexation but only on a proportional basis based on the unused amount[4] of their TBC.

For example, if a member only had 25% of their personal transfer balance cap remaining due to commencing an account based pension for $1.2m (75% of $1.6m) prior to 1 July 2021, their personal TBC will only increase by 25% of the increase in the general TBC ($100,000 x 25% = $25,000) to $1.625m on 1 July 2021.

## Self Managed Super Funds (SMSFs)

### Six member SMSFs

The maximum number of members that an SMSF can have is increasing from four to six from 1 July 2021.

This may assist some large families to all be members of the one SMSF.

### We're here to help

If you have any questions, your financial adviser is the best person to speak to as they can provide guidance based on your situation. You can call us on 13 13 36, Monday to Friday, 8am to 7pm, Sydney time.

1 As at 30 June at the end of the previous financial year.
2 As at 30 June at the end of the previous financial year.
3 To make a COVID early release contribution a person must give their fund an approved form on which they have elected for the contribution to be a COVID early release contribution. The approved form must be provided to the fund at, or before, the time of the contribution.
4 Based on the highest ever balance of their transfer balance account.

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