7 March 2022

Changes to super contribution rules from 1 July may create a great opportunity to revisit your savings and super contribution strategies. The changes may create new or enhanced options to build your savings. Outlined below is a brief explanation of some of the key changes and how you could benefit.

Now is a great time to revisit your existing savings and retirement strategies. With a number of super changes coming into effect from 1 July 2022, understanding the changes and how these could benefit you is a great way to get prepared.

Whether you're thinking about retirement, have already retired, or even looking to purchase your first home, there is likely to be value in reviewing your circumstances and having a discussion with a financial adviser about how these super changes could benefit you.

Note: While change can bring opportunity, it's worthwhile receiving professional advice to understand how the changes apply to you and also whether they are appropriate for your circumstances. The changes relate to contributions to super. However, the amount contributed may be limited by the contribution caps so it is important to consider past contributions as well as those intended to be made.

Why super?

Super, for most of us, is a concessionally taxed investment. This means that returns on your super investments are generally taxed at a rate that is less than your marginal tax rate. Earnings are taxed at up to 15% in accumulation phase or 0% in retirement phase. This can make it a great option to boost your savings.

The key changes relate to the eligibility requirements to make personal (after-tax contributions), the contribution limits that apply once you've turned 67, as well as how much you can access from voluntary super savings to help purchase a first home. Also, the changes mean that lower income earners may become eligible for employer contributions on income earned.

Boost your super

Individuals 67–74 will have more flexibility in contributing to super.

Downsize your home and increase your super

The eligible age to make a downsizer contribution reduces from 65 to 60.

Access more to buy your first home

The maximum amount that can be released from your super to help you buy your first home increases.

More employees eligible for super from their employer

The minimum income threshold to receive superannuation guarantee is abolished.

The following table summaries the maximum NCCs that can be contributed in 2022/23 based on your total super balance as at 30 June 2022:

What's changing?

Individuals aged 67–74[1] will have greater opportunity to contribute to super with the following changes:

- the removal of the work test for personal (after-tax) contributions and salary sacrifice contributions, and
- an increase to the amount of after-tax contributions that may be made within a single financial year.

Removal of work test

Currently, the work test requires you to undertake work for at least 40 hours in a consecutive 30 day period in the financial year a super contribution is made. Alternatively, you may be eligible to apply the work test exemption.

This requirement is removed from 1 July 2022 for individuals aged 67–74[1] if making personal after tax[2] contributions and salary sacrifice contributions. The removal of the work test may make it easier for you to make contributions.

It is important to note that the work test (or work test exemption) still applies if you make a personal contribution and wish to claim a tax deduction.

Other eligibility requirements to make contributions continue to apply, such as total super balance limits and contribution caps. See ato.gov.au for more information.

Increasing limits on after-tax contributions

Caps apply to limit the total contributions that you can make to super. The current annual non-concessional contributions (NCC) cap is $110,000[3]. NCCs include:

- personal contributions for which you don't claim a tax deduction
- spouse contributions, and
- certain amounts you may transfer from an overseas super fund.

If you meet certain requirements, you may be eligible to 'bring-forward' NCCs from future financial years, to make even larger contributions. This is known as the 'bring-forward rule'. If you're eligible, you may be able to contribute up to $330,000 either in a single financial year, or over a three year period.

Currently, you need to be less than 67 on 1 July of a financial year to be eligible to use the bring-forward rule. From 1 July 2022, you may be able to access the bring-forward rule if you're aged less than 75 on the prior 1 July. Other eligibility rules will continue to apply, such as the total super balance limits.

TSB thresholds and bring forward caps from 2022/23

$1.7m +	$0
$1.59m to < $1.7m	$110,000
$1.48m to < $1.59m	$220,000
< $1.48m	$330,000

NOTE: Contribution caps apply to both concessional and non-concessional contributions. Care should be taken to avoid breaching your cap as additional tax and penalties may apply. For further information visit ato.gov.au

The NCC and bring-forward rules are complex. To find out more visit ato.gov.au

Downsizer contributions allow eligible individuals to contribute some or all of the proceeds of the sale of their home, without impacting other contribution caps. Unlike NCCs, downsizer contributions do not have a total super balance limit, or an upper age limit. This means it could be a great, final way to boost super for those who don't meet other eligibility rules to contribute, or where the NCC cap has been earmarked for other purposes.

What's changing?

From 1 July 2022, the eligibility age is reducing from 65 to 60. The age reduction increases the number of individuals who may be eligible to make a downsizer contribution and boost their retirement savings.

What's the limit?

Provided certain other conditions are met, it may be possible to contribute up to $300,000 per person (or $600,000 per couple) from the proceeds of selling your home.

Downsizer contributions won't count towards your concessional or non-concessional contribution caps.

You'll need to make the contribution within 90 days of settlement of your sale, and you need to complete the required forms to notify your fund that you're making a downsizer contribution, no later than the time your contribution is made. You must have reached the eligibility age at the time of contributing.

1 Contributions must be received no later than 28 days after the month in which the person turns age 75.
2 Personal contributions include those for which you do not claim a tax deduction, spouse contributions and small business CGT amounts.
3 Current for 2021/22 and 2022/23 financial years. May be indexed in future years.

What's the benefit?

Aside from super being a concessionally taxed investment, there are a number of other ways a downsizer contribution could benefit you.

Funds in super accumulation phase are an exempt asset for social security purposes while you are under your Age Pension age. This could help increase or maintain your or your spouse's entitlement to a pension or other benefit. Also, making a downsizer contribution together with an NCC could help you contribute even more of your home sale proceeds into the concessionally taxed super environment.

Other eligibility rules and requirements apply. Before you contribute, to find out if a downsizer contribution is right for you, speak to your financial planner. For more information visit **ato.gov.au**

The First Home Super Saver Scheme (FHSSS) allows you to make voluntary contributions of up to $15,000 per year within your concessional and NCC caps and you can later withdraw an amount of those voluntary contributions plus earnings (calculated at a set rate by the ATO on the amount you withdraw[4]). The maximum amount of voluntary contributions that you can withdraw increases from $30,000 to $50,000 from 1 July 2022. This boosts the amount that can be accessed from super and directed to buying your first home.

What's the benefit?

As the scheme allows the withdrawal of voluntary contributions, consideration must be given to not only whether using super is the right approach for you but the type of contribution you will make. For example, salary sacrifice amounts (if an employee), personal deductible contributions or non-concessional (after-tax) contributions).

There is a range of criteria to withdraw your super under this scheme as well as ensuring the funds are used to purchase your first home which is outlined on the ATO website. For more information visit **ato.gov.au**

Superannuation Guarantee (SG) requires employer to pay a minimum level of super support for eligible employees. One criteria for an employee to be eligible is based on that employee's monthly earnings being at least $450 per month. However, this threshold is abolished from 1 July 2022.

This measure primarily assists low-income earners to have employer contributions paid to super boosting their retirement savings.

SG contributions count towards your concessional contribution cap and should be taken into consideration when determining any other contributions made.

Business owners should review their processes to ensure that SG is paid for all eligible employees. Penalties may apply if SG is unpaid or paid late. Further information on SG can be found by visiting **ato.gov.au**

Speak to your financial adviser for more information on the changes and how it may provide opportunities for you. Further general information can be found on the ATO website.

4 Earnings are calculated by the ATO at a set rate rather than reflecting actual fund earnings. The rate is the shortfall interest charge and has ranged from 3.10% to 3.01% over the 12 months since 1 July 2020

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