The Professional Super Advisers

Impact of the March 2022 Federal Budget

Item	Description	Impact
Superannuation		
1. 50% Reduction in minimum pension requirement.	The 50% reduction to the minimum superannuation pension drawdown requirements for retirees will extend into the 2022/23 financial year. (This measure was initially announced at the outset of the pandemic and has now been extended a further two times).	• Clients should review the required level of pension drawdowns for the forthcoming financial year.

Several important changes announced in the 2021 budget have recently received Royal Assent. These superannuation changes are:

2. Removal of the work test for voluntary superannuation contributions **Effective from 1 July 2022.**	Individuals aged between 67 to 74 years (inclusive) will no longer need to pass a work test to contribute to super. Furthermore, the bring forward arrangements have been extended to age 74. These provisions allow up to three years' worth of non-concessional contributions to be placed into super in a single year. The ability to contribute will still be subject to existing contribution caps. The measure applies to non-concessional and salary sacrifice superannuation contributions Importantly, the measure does not apply to personal deductible contributions, where the work test still	• Retirees aged between 67 and 74 at July 2022 should review their situation to determine if they should take advantage of these new rules. • Individuals are likely to have passed a work test if salary sacrificing so the rule effectively only applies to non concessional contributions. • This will simplify the rules for those retirees under 75 and increase the flexibility for older Australians to utilise superannuation.

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	needs to be met (i.e. 40-hours of paid work over a consecutive 30-day period during a financial year, before the contribution can be made). Non concessional contributions cannot be made if an individual's Total Superannuation Balance was over $1.7m on 1 July each year. (Effective at this threshold from 1 July 2021). A 28-day rule continues to apply to individuals turning age 75. Under this rule, the contribution must be received into the superannuation account on or before the day that is 28 days after the end of the month in which the member turns 75.	• This measure will allow retirees to top up their superannuation between 67 and 74 possibly from an inheritance, the sale of an asset or from the sale of their home (in conjunction with the Downsizer contribution – see below). Recontribution strategies should also be considered.
3. Removal of the $450 per month threshold for superannuation guarantee eligibility **Effective from 1 July 2022.**	Removal of the current $450 per calendar month minimum income threshold, under which employees do not have to be paid the superannuation guarantee by their employer. This measure will improve equity in the superannuation system by expanding the superannuation guarantee coverage to all workers.	• The Retirement Income Review estimated that around 300,000 individuals would receive additional superannuation guarantee payments each month, 63 per cent of whom are women.

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4. Reducing the eligibility age for downsizer contributions **Effective from 1 July 2022.**	Reduction of the eligibility age to make downsizer contributions into superannuation from 65 to 60 years of age. The downsizer contribution allows people to make a one-off, post-tax contribution to their superannuation of up to $300,000 per person from the proceeds of selling their home (which they have owned for at least 10 years). Both members of a couple can contribute in respect of the same home, and contributions do not count towards non-concessional contribution caps.	• Individuals and couples aged over 60 at July 2022 should review their situation to determine if they should take advantage of these new rules. • This measure provides additional flexibility for older Australians to contribute to their superannuation. • This measure will be applicable to individuals who are already over their non concessional contribution cap ($1.7m from July 2021) or those who are concurrently making non-concessional contributions to super and will have used up their contribution cap(s).
5. Expanding the First Home Super Saver Scheme **Effective from 1 July 2022 (except for the procedural changes which will be backdated to 1 July 2018).**	Increase the maximum releasable amount of voluntary concessional and non-concessional contributions under the First Home Super Saver Scheme (FHSSS) from $30,000 to $50,000. The FHSSS allows individuals for save for a house deposit at lower tax rates within their superannuation fund.	• The FHSSS should be considered by anyone trying to save for their first home. The increase to $50,000 will allow more flexibility at the time of growing house prices. • Consideration needs be given to how the money is invested in superannuation given that it is for the short to medium term.

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	The Government will also make a number of procedural changes including: • increasing the discretion of the Commissioner of Taxation to amend and revoke FHSSS applications • allowing the Commissioner of Taxation to return any released FHSSS money to superannuation funds, provided that the money has not yet been released to the individual • clarifying that the money returned by the Commissioner of Taxation to superannuation funds is treated as funds' non-assessable non-exempt income and does not count towards the individual's contribution caps.	• Note that the maximum amount of voluntary contributions from any one financial year that are eligible to be released is $15,000
6. Other superannuation initiatives	1. No mention was made regarding changes to the upcoming Superannuation Guarantee rate increase. Accordingly, we anticipate that the current 10% rate will increase to 10.5% from 1 July 2022. 2. In the prior 2021 budget, it was announced that individuals will be given a two-year window of opportunity to exit a specified range of legacy retirement products (many of which are held within Self Managed Superannuation Funds) together with any associated reserves. At the time, the 2021 budget announcement indicated that this measure would 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. Whilst this proposal, that also has implications for the transfer balance cap rules, has still not been legislated, in the 2022 budget, the Government has committed to fixing this complicated area.	

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Taxation		
1. Personal Income Tax	There were no major changes to previously announced personal income tax rates or bands. However, the Government will introduce a one-off tax offset of $420. This one-off payment of $420 will be combined with the low-and middle-income tax offset (LMITO) and will be relevant to the 2021/22 financial year, available from 1 July 2022. The low-and middle-income tax offset (LMITO) which has already been extended twice, is due to end at the conclusion of the 2021/22 year. Current LMITO rates, including the announced one-off additional mount for the 2021/22 year are: (see table below)	• The continuation of tax savings from the LMITO of up to $1,500 ($1,080 plus $420) for those earning between $48,000 and $90,000 p.a.

Taxable Income	LMITO rebate
Up to $37,000	Up to $675
$37,001 to $48,000	Between $675 and $1,500
$48,001 to $90,000	$1,500
$90,001 to $126,000	Above $90,000, benefit reduces from $1,500 to $420 minimum.

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<table>
<tr><th>Item</th><th>Description</th><th>Impact</th></tr>
<tr><td></td><td>The following “Stage 3” changes from the 2019 Budget are still scheduled to commence from 1 July 2024:
<table>
<tr><th>Income</th><th>24/25</th></tr>
<tr><td>$0 to $18,200</td><td>Nil</td></tr>
<tr><td>$18,201 to $45,000</td><td>19%</td></tr>
<tr><td>$45,001 to $200,000</td><td>30%</td></tr>
<tr><td>$200,001 +</td><td>45%</td></tr>
</table></td><td>From the 2024/25 year, a 30% tax rate will apply for incomes between $45,001 and $200,000.</td></tr>
<tr><td>2. Other taxation initiatives</td><td colspan="2">
From midnight 29 March 2022, 50% reduction in the fuel excise from 44.2 cents per litre to 22.1 cents per litre for the next six months.
Covid test to attend your place at work will be deductible for individuals from 1 July 2021.
Increase in the number of people able to access home loan guarantee scheme to 50,000 per year for three years from 2022-23, then reducing to 35,000 a year. Mortgage insurance will not be required to be taken.
Small businesses able to deduct $120 for every $100 spent on employee training, digital technology, e-invoicing, cyber security and web design.
The Medicare levy low income threshold for singles for 2021/22 will be increased from $23,226 to $23,365. The family threshold will be increased from $39,167 to $39,402. For single seniors and pensioners, the threshold will be increased from $36,705 to $36,925. The family threshold for seniors and pensioners will be increased from $51,094 to $51,401. For each dependent child or student, the family income thresholds increase by a further $3,619 instead of the previous amount of $3,597.
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Social Security		
1. One-off payment of $250 **Effective April 2022**	To meet cost of living pressures, all eligible pensioners, welfare recipients, veterans and eligible concession card holders will receive a one-off income tax-exempt payment of $250.	• This payment will be automatically paid to eligible recipients in April 2022.
2. Aged Care	The Government will provide $340 million over four years to embed pharmacy services within residential aged care facilities.	• This continues to address the many issues identified by the Royal Commission.

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